

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

Basic Financial Statements and  
Independent Auditors' Report

December 31, 2018 and 2017



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
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## 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 Financial Statements**

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 year ended December 31, 2018, 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.

### **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 auditors' 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 auditors consider 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, 2018, 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.

## **Other Matters**

### *Prior Year (December 31, 2017) Auditors' Report*

The financial statements of the District, as of and for the year ended December 31, 2017, were audited by Chadwick, Steinkirchner, Davis & Co. P.C., whose report dated May 15, 2018, expressed an unmodified opinion on those financial statements.

### *Required Supplementary Information*

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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 as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of budget and actual revenues and expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 18, 2019

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Statements of Net Position**  
**December 31, 2018 and 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 4,459,288	\$ 5,937,833
Receivables:		
Patient accounts	5,104,060	3,693,611
Property tax levy	1,129,324	1,121,851
Other	329,731	276,563
Inventories	1,546,811	1,198,440
Prepaid expenses	211,491	234,399
Total current assets	12,780,705	12,462,697
<i>Noncurrent assets</i>		
Cash and cash equivalents, restricted	1,059,386	929,528
Capital assets, net	23,141,917	24,384,997
Total noncurrent assets	24,201,303	25,314,525
<b>Total assets</b>	<b>\$ 36,982,008</b>	<b>\$ 37,777,222</b>

*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, 2018 and 2017**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2018</b>	<b>2017</b>
<i>Current liabilities</i>		
Accounts payable	\$ 1,724,350	\$ 1,616,524
Accrued compensation and related liabilities	1,868,644	1,761,155
Estimated third-party payor settlements	1,516,172	2,407,258
Accrued interest payable	80,334	81,663
Current maturities of capital lease obligations	195,304	166,337
Current maturities of long-term debt	610,000	590,000
Total current liabilities	5,994,804	6,622,937
<i>Noncurrent liabilities</i>		
Capital lease obligations, less current maturities	461,822	359,945
Long-term debt, less current maturities	19,650,128	20,278,572
Total noncurrent liabilities	20,111,950	20,638,517
Total liabilities	26,106,754	27,261,454
<i>Deferred inflows of resources</i> , property tax revenue	1,129,324	1,121,851
<i>Net position</i>		
Net investment in capital assets	2,144,329	2,908,480
Restricted by donor	177,526	-
Restricted for debt reserve	881,860	929,528
Unrestricted	6,542,215	5,555,909
Total net position	9,745,930	9,393,917
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 36,982,008</b>	<b>\$ 37,777,222</b>

*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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<i>Operating revenues</i>		
Net patient service revenue	\$ 28,312,694	\$ 25,329,244
Provider fee	2,907,467	2,327,092
340b contract pharmacy	1,873,822	1,396,144
Electronic health records incentive	428,940	444,042
Grants	-	283,937
Other	194,897	320,883
<b>Total operating revenues</b>	<b>33,717,820</b>	<b>30,101,342</b>
<i>Operating expenses</i>		
Salaries and wages	18,782,081	16,688,427
Employee benefits	3,215,781	2,377,086
Professional fees and other purchased services	2,384,199	2,442,857
Supplies	4,128,476	3,705,280
Utilities	407,364	432,520
Depreciation and amortization	2,343,494	1,988,458
Leases and rentals	548,927	591,604
Repairs and maintenance	503,764	451,948
Provider fees	761,668	729,127
Insurance	180,801	235,170
Other	920,524	913,762
<b>Total operating expenses</b>	<b>34,177,079</b>	<b>30,556,239</b>
<i>Operating loss</i>	<b>(459,259)</b>	<b>(454,897)</b>
<i>Nonoperating revenues (expenses)</i>		
Property taxes	1,251,238	1,171,890
Interest expense	(988,821)	(840,024)
Interest income	60,383	32,681
<b>Total nonoperating revenues, net</b>	<b>322,800</b>	<b>364,547</b>
Excess of expenses over revenues before capital grants and contributions	<b>(136,459)</b>	<b>(90,350)</b>
<i>Capital grants and contributions</i>	<b>488,472</b>	<b>871,110</b>
Change in net position	<b>352,013</b>	<b>780,760</b>
Net position, beginning of year	<b>9,393,917</b>	<b>8,613,157</b>
<b>Net position, end of year</b>	<b>\$ 9,745,930</b>	<b>\$ 9,393,917</b>

*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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 31,119,967	\$ 29,580,084
Electronic health records incentive	48,253	(7,849)
Grants	-	283,937
Other receipts	194,897	72,460
Payments to and on behalf of employees	(21,890,373)	(18,400,729)
Payments to suppliers and contractors	(10,053,360)	(10,459,852)
Net cash provided by (used in) operating activities	<b>(580,616)</b>	1,068,051
<i>Cash flows from noncapital financing activities</i>		
Property taxes	1,251,238	1,171,890
Contributions received	-	750,000
Net cash provided by noncapital financing activities	<b>1,251,238</b>	1,921,890
<i>Cash flows from capital and related financing activities</i>		
Principal payments on capital lease obligations	(257,698)	(222,954)
Principal payments on long-term debt	(590,000)	(570,000)
Purchase of capital assets	(711,872)	(3,737,382)
Interest paid on long-term debt and capital lease obligations	(1,008,594)	(860,350)
Capital grants and contributions	488,472	871,114
Net cash used in capital and related financing activities	<b>(2,079,692)</b>	(4,519,572)
<i>Cash flows from investing activities, investment income</i>	<b>60,383</b>	32,681
Net decrease in cash and cash equivalents	<b>(1,348,687)</b>	(1,496,950)
Cash and cash equivalents, beginning of year	<b>6,867,361</b>	8,364,311
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,518,674</b>	<b>\$ 6,867,361</b>

*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, 2018 and 2017

	2018	2017
<b><i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i></b>		
Cash and cash equivalents	\$ 4,459,288	\$ 5,937,833
Cash and cash equivalents, restricted	1,059,386	929,528
<b>Total cash and cash equivalents</b>	<b>\$ 5,518,674</b>	<b>\$ 6,867,361</b>

***Reconciliation of Operating Loss to Net Cash  
Provided by (Used in) Operating Activities***

Operating loss	\$ (459,259)	\$ (454,897)
<i>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	2,343,494	1,988,458
Provision for bad debts	1,846,928	2,029,841
Decrease (increase) in assets:		
Receivables:		
Patient accounts	(3,257,377)	(1,683,818)
Electronic health records incentive	(380,687)	(451,891)
Other	(53,168)	(248,423)
Inventories	(348,371)	14,644
Prepaid expenses	22,908	(48,618)
Increase (decrease) in liabilities:		
Accounts payable	107,826	(923,610)
Accrued compensation and related liabilities	107,489	664,784
Estimated third-party payor settlements	(510,399)	181,581
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (580,616)</b>	<b>\$ 1,068,051</b>

***Noncash Investing, Capital, and Financing Activities***

The District entered into capital lease obligations in the amounts of \$388,542 and \$500,000 during the years ended December 31, 2018 and 2017, respectively.

See accompanying notes to basic financial statements.

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Notes to Basic Financial Statements  
Years Ended December 31, 2018 and 2017**

**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 \$500 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 as 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	3 to 20 years

Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2018 and 2017

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 on regular hours actually worked 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 298 hours. 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.

**Electronic health records (EHR) incentive payment** – The EHR incentive payments are provided to incent hospitals to become meaningful users of EHR technology, not to reimburse providers for the cost of acquiring EHR assets. EHR incentive payments are therefore reported as operating revenue.

**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.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**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, 2020, 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 March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, to improve the information that is disclosed in governmental entity financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities government entities should include when disclosing information related to debt. The statement defines debt and requires additional essential information related to debt to be disclosed in the notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. The new guidance is effective for the District's year ending December 31, 2019, 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 June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The new guidance is effective for the District's year ending December 31, 2020. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

*Reclassifications* – Certain reclassifications have been made in the 2017 financial statements to conform to the classifications used in the 2018 financial statements with no effect on the previously reported change in net assets.

*Subsequent events* – Subsequent events have been reviewed through June 18, 2019, the date on which the financial statements were available to be issued.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**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.

***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.

The District's investments were in compliance with the state of Colorado's (the State) investment requirements for the years ended December 31, 2018 and 2017.

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2018 and 2017**

**2. Bank Deposits and Investments (continued):**

**Investments (continued):**

At December 31, 2018 and 2017, the District had invested \$1,554,126 and \$1,522,156, 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. Colotrust operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

The District's remaining investments at December 31, 2018 and 2017, were in money market funds, with a carrying value of \$1,551,328 and \$1,252,441, respectively. Of the amounts, \$878,731 in both 2018 and 2017 are restricted by the bond agreement for debt reserve. Additionally, of the amounts, \$3,129 and \$50,797 in 2018 and 2017, respectively, are restricted for capital purchases.

***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; 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, 2018.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**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 not changed significantly from the prior years. 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:

	<b>2018</b>	<b>2017</b>
Receivable from patients and their insurance carriers	\$ 4,543,433	\$ 3,579,224
Receivable from Medicare	1,385,397	831,391
Receivable from Medicaid	441,297	333,003
Total patient accounts receivable	<b>6,370,127</b>	4,743,618
Less allowance for uncollectible accounts	<b>1,266,067</b>	1,050,007
<b>Patient accounts receivable, net</b>	<b>\$ 5,104,060</b>	<b>\$ 3,693,611</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**4. Capital Assets:**

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

	Balance December 31, 2017	Additions	Retirements	Transfers	Balance December 31, 2018
<i>Capital assets not being depreciated</i>					
Land	\$ 101,000	\$ -	\$ -	\$ -	\$ 101,000
Construction in progress	65,945	38,505	-	(65,945)	38,505
Total capital assets not being depreciated	166,945	38,505	-	(65,945)	139,505
<i>Capital assets being depreciated</i>					
Building and improvements	26,893,622	125,530	-	-	27,019,152
Equipment	9,385,074	936,379	(237,523)	65,945	10,149,875
Total capital assets being depreciated	36,278,696	1,061,909	(237,523)	65,945	37,169,027
<i>Less accumulated depreciation for</i>					
Building and improvements	(5,081,888)	(1,201,996)	-	-	(6,283,884)
Equipment	(6,978,756)	(1,141,498)	237,523	-	(7,882,731)
Total accumulated depreciation	(12,060,644)	(2,343,494)	237,523	-	(14,166,615)
Total capital assets being depreciated, net	24,218,052	(1,281,585)	-	65,945	23,002,412
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 24,384,997</b>	<b>\$ (1,243,080)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,141,917</b>

Construction in progress at December 31, 2018, consisted of the initial costs for the upgrade of the hospital heating, ventilation, and air conditioning system. The project is scheduled to be completed no later than October 31, 2020, with additional costs of approximately \$1,800,000.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**4. Capital Assets (continued):**

	Balance December 31, 2016	Additions	Retirements	Transfers	Balance December 31, 2017
<i>Capital assets not being depreciated</i>					
Land	\$ 101,000	\$ -	\$ -	\$ -	\$ 101,000
Construction in progress	10,106,960	3,336,390	-	(13,377,405)	65,945
Total capital assets not being depreciated	10,207,960	3,336,390	-	(13,377,405)	166,945
<i>Capital assets being depreciated</i>					
Building and improvements	13,340,323	175,894	-	13,377,405	26,893,622
Equipment	8,662,031	726,797	(3,754)	-	9,385,074
Total capital assets being depreciated	22,002,354	902,691	(3,754)	13,377,405	36,278,696
<i>Less accumulated depreciation for</i>					
Building and improvements	(4,109,741)	(972,147)	-	-	(5,081,888)
Equipment	(5,964,500)	(1,016,311)	2,055	-	(6,978,756)
Total accumulated depreciation	(10,074,241)	(1,988,458)	2,055	-	(12,060,644)
Total capital assets being depreciated, net	11,928,113	(1,085,767)	(1,699)	13,377,405	24,218,052
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 22,136,073</b>	<b>\$ 2,250,623</b>	<b>\$ (1,699)</b>	<b>\$ -</b>	<b>\$ 24,384,997</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**5. Employee Health Self-insurance:**

The District established a self-insurance fund for employee medical care that is administered through Meritain Health. 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. 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.

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 \$35,000.

	<b>2018</b>	<b>2017</b>
Claim liability, beginning of year	\$ 297,343	\$ 189,400
Current year claims and changes in estimates	<b>(1,699,033)</b>	(1,007,644)
Claim payments	<b>1,679,451</b>	1,115,587
Claim liability, end of year	<b>\$ 277,761</b>	\$ 297,343

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**6. Long-term Debt:**

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

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
<i>Long-term debt</i>					
Limited Tax General Obligation Bonds, Series 2006 and Limited Tax General Obligation Bonds, Series 2007	\$ 9,620,000	\$ -	\$ (290,000)	\$ 9,330,000	\$ 305,000
Improvement and Refunding Revenue Bonds, Series 2016 A (Tax Exempt) and Refunding Revenue bond Series 2016 B (Taxable)	10,845,000	-	(300,000)	10,545,000	305,000
2007 bond premium	259,134	-	(13,346)	245,788	-
2016 bond premium	144,438	-	(5,098)	139,340	-
<b>Total long-term debt</b>	<b>20,868,572</b>	<b>-</b>	<b>(608,444)</b>	<b>20,260,128</b>	<b>610,000</b>
<i>Capital lease obligations</i>					
Stryker equipment lease	-	291,619	(75,605)	216,014	64,804
Dell server lease	-	92,437	(15,756)	76,681	17,540
Wells Fargo equipment lease	444,659	-	(94,968)	349,691	98,220
Pittney Bowes equipment lease	558	-	(558)	-	-
Synoptek telephone lease	30,124	4,486	(19,870)	14,740	14,740
De Lage Landen equipment lease	50,941	-	(50,941)	-	-
<b>Total capital lease obligations</b>	<b>526,282</b>	<b>388,542</b>	<b>(257,698)</b>	<b>657,126</b>	<b>195,304</b>
	<b>\$ 21,394,854</b>	<b>\$ 388,542</b>	<b>\$ (866,142)</b>	<b>\$ 20,917,254</b>	<b>\$ 805,304</b>
	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
<i>Long-term debt</i>					
Limited Tax General Obligation Bonds, Series 2006 and Limited Tax General Obligation Bonds, Series 2007	\$ 9,900,000	\$ -	\$ (280,000)	\$ 9,620,000	\$ 290,000
Improvement and Refunding Revenue Bonds, Series 2016 A (Tax Exempt) and Refunding Revenue bond Series 2016 B (Taxable)	11,135,000	-	(290,000)	10,845,000	300,000
2007 bond premium	272,479	-	(13,345)	259,134	-
2016 bond premium	149,536	-	(5,098)	144,438	-
<b>Total long-term debt</b>	<b>21,457,015</b>	<b>-</b>	<b>(588,443)</b>	<b>20,868,572</b>	<b>590,000</b>
<i>Capital lease obligations</i>					
Wells Fargo equipment lease	-	500,000	(55,341)	444,659	97,087
Synoptek telephone lease	54,930	-	(24,806)	30,124	18,309
De Lage Landen equipment lease	101,882	-	(50,941)	50,941	50,941
Equipment leases	92,424	-	(91,866)	558	-
<b>Total capital lease obligations</b>	<b>249,236</b>	<b>500,000</b>	<b>(222,954)</b>	<b>526,282</b>	<b>166,337</b>
	<b>\$ 21,706,251</b>	<b>\$ 500,000</b>	<b>\$ (811,397)</b>	<b>\$ 21,394,854</b>	<b>\$ 756,337</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**6. Long-term Debt (continued):**

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 net medical center revenue. The bonds mature annually at amounts ranging from \$305,000 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 Bonds, Series 2006, in the original amount of \$9,470,000. The bonds bear interest rates varying from 4 percent to 5 percent. An additional \$2,530,000 in bonds was issued in January 2007 for a total issue of \$12,000,000. The additional bonds bear interest at rates varying from 3.6 percent to 4.0 percent. The bonds mature annually at amounts ranging from \$305,000 to \$730,000, with semiannual interest payments through June 2037. The bonds are additionally secured by net medical center revenue.

At December 31, 2018, the District was not in compliance with the days cash on hand bond covenant. The District has engaged a consultant to make recommendations with respect to the rates, fees, and charges of the District and to make operational recommendations as outlined in the bond agreements. Due to the engagement of the consultant, the District is not considered to be in default of the bond terms.

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

<b>Years Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 610,000	\$ 959,054	\$ 1,569,054
2020	640,000	933,959	1,573,959
2021	665,000	905,397	1,570,397
2022	690,000	877,409	1,567,409
2023	595,000	851,641	1,446,641
2024-2028	3,390,000	3,839,022	7,229,022
2029-2033	4,245,000	2,981,329	7,226,329
2034-2038	4,610,000	1,872,210	6,482,210
2039-2043	2,510,000	987,996	3,497,996
2044-2046	1,920,000	181,300	2,101,300
	<b>\$ 19,875,000</b>	<b>\$ 14,389,317</b>	<b>\$ 34,264,317</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**6. Long-term Debt (continued):**

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

- De Lage Landen equipment lease, paid in full in 2018.
- Synoptek telephone lease, due in monthly installments of \$1,526, with no interest through August 2019; collateralized by equipment with a cost of \$54,930 and accumulated depreciation of \$12,817 and \$7,324 as of December 31, 2018 and 2017, respectively.
- 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 \$101,718 and \$26,964 as of December 31, 2018 and 2017, respectively.
- Pittney Bowes equipment lease, paid in full in 2018.
- Dell server lease, due in monthly installments of \$1,711, including interest at 4.36 percent, through January 2023; collateralized by equipment with a cost of \$92,437 and accumulated depreciation of \$18,487 and \$-0- as of December 31, 2018 and 2017, 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 \$90,929 and \$-0- as of December 31, 2018 and 2017, respectively.

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

<b>Years Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 195,304	\$ 21,386	\$ <b>216,690</b>
2020	184,705	17,244	<b>201,949</b>
2021	188,996	12,952	<b>201,948</b>
2022	86,410	3,637	<b>90,047</b>
2023	1,711	6	<b>1,717</b>
	<b>\$ 657,126</b>	<b>\$ 55,225</b>	<b>\$ 712,351</b>

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**7. 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 writeoffs has not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during fiscal years 2018 or 2017. 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:

	<b>2018</b>	<b>2017</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 13,545,490	\$ 11,152,352
Medicaid	3,458,142	3,038,757
Other third-party payors	10,485,445	9,815,837
Patients	3,202,800	3,732,602
	<b>30,691,877</b>	27,739,548
Less:		
Charity care	532,255	380,463
Provision for bad debts	1,846,928	2,029,841
<b>Net patient service revenue</b>	<b>\$ 28,312,694</b>	<b>\$ 25,329,244</b>

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.

**Upper San Juan Health Service District  
doing business as Pagosa Springs Medical Center  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2018 and 2017**

**7. 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 \$607,000 in the year ended December 31, 2018, due to differences between original estimates and final settlements.

During the year ended December 31, 2017, the District received notice that their 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 2010-2018 are being reprocessed, resulting in a payback of approximately \$633,000 that has been accrued at December 31, 2018. Net patient service revenue increased by approximately \$195,000 in the year ended December 31, 2018, due to differences between original estimates and final settlements.

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, 2018 and 2017, were approximately \$319,000 and \$224,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2018 and 2017.

**8. 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, 2018 and 2017, for taxes levied for 2019 and 2018, respectively.

For 2018, the District's regular tax levy was \$3.884 per \$1,000 on a total combined assessed valuation of \$289,792,837, for a total regular combined levy of \$1,129,324. For 2017, the District's regular tax levy was \$3.884 per \$1,000 on a total assessed valuation of \$278,054,583, for a total regular levy of \$1,079,964.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**9. Defined Contribution Plans:**

The District provides retirement benefits for all of 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 \$1,114,000 and \$994,000 for the years ended December 31, 2018 and 2017, respectively. Employee contributions to the Plan totaled approximately \$1,114,000 and \$994,000 for the years ended December 31, 2018 and 2017, 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.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**10. 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.

**Upper San Juan Health Service District**  
**doing business as Pagosa Springs Medical Center**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2018 and 2017**

**11. 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:

	<b>2018</b>	<b>2017</b>
Medicare	<b>24 %</b>	20 %
Medicaid	<b>15</b>	14
Other third-party payors	<b>49</b>	51
Patients	<b>12</b>	15
	<b>100 %</b>	100 %

*Physicians* – The District is dependent on local physicians and mid-level providers practicing in its service area to provide admission and utilize hospital services on an outpatient basis. A decrease in the number of providers or changes in their utilization patterns may have an adverse effect on hospital operations.

**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, 2018**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<i>Operating revenues</i>			
Net patient service revenue and 340b contract pharmacy	\$ 31,391,503	\$ <b>30,186,516</b>	\$ (1,204,987)
Provider fees	2,193,867	<b>2,907,467</b>	713,600
Grants	62,000	-	(62,000)
Other	2,179,100	<b>623,837</b>	(1,555,263)
<b>Total operating revenues</b>	<b>35,826,470</b>	<b>33,717,820</b>	<b>(2,108,650)</b>
<i>Operating expenses</i>			
Salaries and wages	19,003,384	<b>18,782,081</b>	221,303
Employee benefits	3,274,000	<b>3,215,781</b>	58,219
Professional fees and other purchased services	2,291,680	<b>2,384,199</b>	(92,519)
Supplies	4,412,650	<b>4,128,476</b>	284,174
Utilities	557,500	<b>407,364</b>	150,136
Depreciation and amortization	2,205,000	<b>2,343,494</b>	(138,494)
Leases and rentals	613,900	<b>548,927</b>	64,973
Repairs and maintenance	436,936	<b>503,764</b>	(66,828)
Insurance	219,000	<b>180,801</b>	38,199
Provider fees and other	1,522,600	<b>1,682,192</b>	(159,592)
<b>Total operating expenses</b>	<b>34,536,650</b>	<b>34,177,079</b>	<b>359,571</b>
<i>Operating income (loss)</i>	1,289,820	<b>(459,259)</b>	<b>(1,749,079)</b>
<i>Nonoperating revenues (expenses)</i>			
Property taxes	1,197,000	<b>1,251,238</b>	54,238
Interest	(1,045,596)	<b>(988,821)</b>	56,775
Contributions	300,000	<b>488,472</b>	188,472
Interest income	-	<b>60,383</b>	60,383
<b>Total nonoperating revenues, net</b>	<b>451,404</b>	<b>811,272</b>	<b>359,868</b>
<b>Change in net position</b>	<b>\$ 1,741,224</b>	<b>\$ 352,013</b>	<b>\$ (1,389,211)</b>

*See accompanying independent auditors' report.*