

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center**

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
December 31, 2019 and 2018**

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## Independent Auditor's Report

Board of Directors  
Huerfano County Hospital District  
d/b/a Spanish Peaks Regional Health Center  
Walsenburg, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center (the District), as of and for the years ended December 31, 2019 and 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Board of Directors  
Huerfano County Hospital District  
d/b/a Spanish Peaks Regional Health Center

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements of net position and the related combining statements of revenues, expenses and changes in net position and the budget and actual revenues and expenses as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining statements of net position and the related combining statements of revenues, expenses and changes in net position and the budget and actual revenues and expenses 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 combining statements of net position and the related combining statements of revenues, expenses and changes in net position and the budget and actual revenues and expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**BKD, LLP**

Colorado Springs, Colorado  
September 15, 2020

# **Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2019 and 2018**

## **Introduction**

This management's discussion and analysis of the financial performance of Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center (the District) provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the District. Separate financial statements of Colorado State Veterans Nursing Home (the Nursing Home), a component unit of Huerfano County Hospital District, can be obtained by contacting the District's Financial Management.

## **Financial Highlights**

- Cash and investments increased in 2019 by \$2,175,923, or 42%, and increased in 2018 by \$185,466, or 4%.
- The District's net position increased in 2019 by \$3,283,809, or 30% and increased in 2018 by \$225,392, or 2%.
- The District reported operating gain of \$2,113,898 in 2019 and loss of \$349,876 in 2018.
- Net nonoperating revenues increased by \$594,643, or 103%, in 2019, and decreased by \$234,496, or 29%, in 2018.

## **Using This Annual Report**

The District's financial statements consist of three statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the accrual basis of accounting.

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

One of the most important questions asked about any organization's finances is "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net assets report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Huerfano County Hospital District d/b/a  
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Years Ended December 31, 2019 and 2018**

These two statements report the District’s net position and changes in them. The District’s total net position—the difference between assets and liabilities—is one measure of the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the District.

**The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

**The District’s Net Position**

The District’s combined net position, the difference between its assets and liabilities reported in the statements of net position, increased by \$3,535,165, or 32%, over 2018, as shown in Table 1.

**Table 1: Assets, Liabilities and Net Position**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>			
Cash and investments	\$ 7,325,477	\$ 5,149,554	\$ 4,964,088
Patient accounts receivable, net	2,688,041	2,701,431	2,694,107
Other current assets	1,850,640	1,798,146	1,495,789
Capital assets, net	<u>9,144,233</u>	<u>9,418,198</u>	<u>10,457,117</u>
Total assets	<u>\$ 21,008,391</u>	<u>\$ 19,067,329</u>	<u>\$ 19,611,101</u>
<b>Liabilities</b>			
Current and noncurrent liabilities	\$ 3,311,396	\$ 3,246,739	\$ 3,635,650
Long-term debt	<u>2,531,449</u>	<u>3,944,126</u>	<u>4,786,008</u>
Total liabilities	<u>5,842,845</u>	<u>7,190,865</u>	<u>8,421,658</u>
<b>Deferred Inflows - Deferred Property Tax Revenue</b>	<u>882,133</u>	<u>876,860</u>	<u>415,231</u>
Total liabilities and deferred inflows of resources	<u>6,724,978</u>	<u>8,067,725</u>	<u>8,836,889</u>

**Huerfano County Hospital District d/b/a  
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**Table 1: Assets, Liabilities and Net Position (continued)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Net Position</b>			
Net investment in capital assets	5,896,193	4,796,014	5,021,453
Restricted expendable	1,820,880	1,800,075	1,800,770
Unrestricted	<u>6,566,340</u>	<u>4,403,515</u>	<u>3,951,989</u>
 Total net position	 <u>14,283,413</u>	 <u>10,999,604</u>	 <u>10,774,212</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 21,008,391</u>	 <u>\$ 19,067,329</u>	 <u>\$ 19,611,101</u>

The increase in cash is due to increased Property Tax Levy, staffing changes and cost reductions. Capital assets decreased due to the continued depreciation of capital assets.

**Operating Results and Changes in the District’s Net Position**

In 2019, the District’s net position increased by \$3,283,809, compared to an increase of \$225,392 and decrease of \$638,822 in 2018 and 2017, respectively, as shown in Table 2. This increase is made up of several different components.

**Huerfano County Hospital District d/b/a  
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**Table 2: Operating Results and Changes in Net Position**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 26,381,473	\$ 25,564,940	\$ 23,473,092
Other operating revenue	<u>2,687,917</u>	<u>2,463,383</u>	<u>2,284,691</u>
Total operating revenues	<u>29,069,390</u>	<u>28,028,323</u>	<u>25,757,783</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	17,743,347	18,510,307	17,883,193
Purchased services and professional fees	3,497,119	3,645,435	3,336,499
Supplies and other	4,672,523	5,141,042	4,779,548
Depreciation	<u>1,042,503</u>	<u>1,081,415</u>	<u>1,207,129</u>
Total operating expenses	<u>26,955,492</u>	<u>28,378,199</u>	<u>27,206,369</u>
<b>Operating Gain (Loss)</b>	<u>2,113,898</u>	<u>(349,876)</u>	<u>(1,448,586)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	915,885	445,418	515,795
Investment income	40,642	6,237	622
Interest expense	(124,995)	(213,544)	(141,456)
Noncapital grants and gifts	339,144	337,086	416,250
Other nonoperating revenues and expenses, net	<u>(765)</u>	<u>71</u>	<u>18,553</u>
Total nonoperating revenues (expenses)	<u>1,169,911</u>	<u>575,268</u>	<u>809,764</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 3,283,809</u>	<u>\$ 225,392</u>	<u>\$ (638,822)</u>

**Operating Increases**

The first component of the overall change in the District's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The District was formed and is operated primarily to serve residents of Huerfano County and the surrounding area. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

**Huerfano County Hospital District d/b/a  
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The primary components of the operating gains and losses are:

- An increase in net patient service revenue of \$816,533, or 3%, in 2019 and an increase in net patient service revenue of \$2,091,848, or 9%, in 2018.
  - 2019 – Year over year increase in net patient service revenue is largely attributable to increased revenue in the Emergency Department of 9%, Physical Therapy of 10% and Respiratory Therapy of 10%.
  - 2018 – An increase in hospital registration of 964 registrations from the prior year and an increase from \$4,640,176 in clinic charges in 2017 to \$6,495,803 in 2018.
- A decrease in salaries and wages for the District's employees of \$766,960, or 4%, in 2019 and an increase of \$627,114, or 4%, in 2018.
  - 2019 – The decrease is attributed to outsourcing human resources and vacant high-level positions. While the District did award a merit adjustment of 2%, the decreases were greater than the merit increase.
  - 2018 – A consistent 2% merit adjustment was awarded to employees during 2018 fiscal year.
- A decrease in purchased services and professional fees of \$148,316, or 4%, in 2019 and an increase of \$308,936, or 9%, in 2018.
  - 2019 – The decrease is due to decrease/elimination of agency staffing.
  - 2018 – The increase is due to the use of contract labor for staffing and a conversion from in house Human Resources leadership to a purchased service model.
- A decrease in supplies and other expense of \$468,519, or 9%, in 2019 and an increase of \$361,494, or 8%, in 2018.
  - 2019 – This decrease is due primarily to the decreased census.
  - 2018 – This increase is due primarily to increased inpatient admissions and price increases from vendors for patient care supplies and pharmaceuticals.

**Huerfano County Hospital District d/b/a  
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**Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, interest expense, and noncapital grants and gifts, most of which remained relatively consistent in 2019 as compared to 2018. However, in 2019, Property Tax Levy increased \$470,467 as a result of a change in Mill rate. Additionally, interest expense decreased by \$88,549 from 2018 to 2019 due to continued payments toward outstanding obligations.

**The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating income and losses and nonoperating revenues and expenses for 2019, 2018 and 2017, discussed earlier.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2019, the District had \$9,144,233 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2019, the District purchased a Glide Laryngoscope, Electrocardiogram (EKG) machine, Hematology analyzer, Nursing Home furniture and two vans.

**Debt**

At December 31, 2019, the District had \$3,241,692 in notes payable, capital lease and line of credit obligations outstanding. The decrease in debt is due to continued payments toward outstanding obligations.

**Other Economic Factors**

To help reduce costs and achieve financial excellence in operations, senior management continues to utilize the Management Action Plan (MAP) that was originally created by Quorum Health Resources.

Hospital management continues to strive to offset the negative impact to revenues resulting from increased patient responsibility for healthcare services. This has occurred from the ever-increasing co-payments and deductibles inherent in health plan coverage. To offset this risk, the District is attempting to obtain funds from alternate sources, such as grants. These monies will be spent to maintain our current level of patient care services and provide for needed capital acquisition and replacement.

With cost reductions and/or containment always being considered by both the federal government and state government, it is necessary that management continue to review and respond to pending legislation that concerns funding levels for the Medicare and Medicaid programs.

**Huerfano County Hospital District d/b/a  
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Management's Discussion and Analysis (Unaudited)  
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In 2019 and 2018, the District continued to build networks with surrounding healthcare systems and coalitions because of the changing healthcare environment. Collaborating with other facilities and organizations will be essential to our present and future efforts to provide high quality, efficient and effective healthcare to our community.

**Contacting the District's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District Administration at 719.738.5144.

**Huerfano County District Hospital  
d/b/a Spanish Peaks Regional Health Center**

**Statements of Net Position  
December 31, 2019 and 2018**

**Assets**

	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,991,250	\$ 935,711
Cash held for residents	71,166	81,276
Patient accounts receivable, net of allowance for uncollectible accounts; 2019 - \$215,054 and 2018 - \$302,431	2,688,041	2,701,431
Property taxes receivable	892,897	876,860
Supplies	453,551	474,201
Other current assets	504,192	447,085
	<u>7,601,097</u>	<u>5,516,564</u>
<b>Noncurrent Cash and Investments</b>		
Internally designated	2,442,181	2,332,492
Assets whose use is limited		
Investments held as collateral on long-term debt	1,500,000	1,500,000
Held by Colorado State Treasurer	270,204	257,350
Cash restricted by donors	50,676	42,725
	<u>4,263,061</u>	<u>4,132,567</u>
	<u>9,144,233</u>	<u>9,418,198</u>
<b>Capital Assets, Net</b>		
	<u>\$ 21,008,391</u>	<u>\$ 19,067,329</u>

**Huerfano County District Hospital  
d/b/a Spanish Peaks Regional Health Center  
Statements of Net Position (continued)  
December 31, 2019 and 2018**

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

	<u>2019</u>	<u>2018</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 578,855	\$ 648,390
Accrued expenses and other current liabilities	1,773,261	1,764,491
Current maturities of long-term debt	710,243	678,058
Estimated third-party payer settlements	171,730	87,070
Deposits from residents	<u>77,307</u>	<u>68,730</u>
Total current liabilities	3,311,396	3,246,739
<b>Lines of Credit</b>	2,498	707,414
<b>Long-term Debt</b>	<u>2,528,951</u>	<u>3,236,712</u>
Total liabilities	<u>5,842,845</u>	<u>7,190,865</u>
<b>Deferred Inflows of Resources</b>		
Deferred property tax revenues	<u>882,133</u>	<u>876,860</u>
Total liabilities and deferred inflows of resources	<u>6,724,978</u>	<u>8,067,725</u>
<b>Net Position</b>		
Net investment in capital assets	5,896,193	4,796,014
Restricted expendable	1,820,880	1,800,075
Unrestricted	<u>6,566,340</u>	<u>4,403,515</u>
Total net position	<u>14,283,413</u>	<u>10,999,604</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 21,008,391</u>	<u>\$ 19,067,329</u>

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2019 - \$438,437 and 2018 - \$663,690	\$ 26,381,473	\$ 25,564,940
Other operating revenue	<u>2,687,917</u>	<u>2,463,383</u>
Total operating revenues	<u>29,069,390</u>	<u>28,028,323</u>
<b>Operating Expenses</b>		
Salaries, wages and employee benefits	17,743,347	18,510,307
Purchased services and professional fees	3,497,119	3,645,435
Supplies and other	4,672,523	5,141,042
Depreciation	<u>1,042,503</u>	<u>1,081,415</u>
Total operating expenses	<u>26,955,492</u>	<u>28,378,199</u>
<b>Operating Income (Loss)</b>	<u>2,113,898</u>	<u>(349,876)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	915,885	445,418
Investment income	40,642	6,237
Interest expense	(124,995)	(213,544)
Noncapital grants and gifts	339,144	337,086
Other	<u>(765)</u>	<u>71</u>
Total nonoperating revenues (expenses)	<u>1,169,911</u>	<u>575,268</u>
<b>Increase in Net Position</b>	3,283,809	225,392
<b>Net Position, Beginning of Year</b>	<u>10,999,604</u>	<u>10,774,212</u>
<b>Net Position, End of Year</b>	<u>\$ 14,283,413</u>	<u>\$ 10,999,604</u>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 26,479,523	\$ 25,931,351
Payments to suppliers and contractors	(8,224,875)	(9,051,874)
Payments to employees	(17,681,567)	(18,700,844)
Other receipts, net	2,639,387	2,362,861
Net cash provided by operating activities	3,212,468	541,494
<b>Noncapital Financing Activities</b>		
Property taxes supporting operations	905,121	445,418
Noncapital grants and gifts	339,144	337,086
Borrowings on line of credit	2,498	-
Payments on line of credit	(707,414)	(151,492)
Other	(765)	71
Net cash provided by noncapital financing activities	538,584	631,083
<b>Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(675,576)	(661,988)
Interest paid	(178,005)	(213,544)
Purchase of capital assets	(762,190)	(117,816)
Net cash used in capital and related financing activities	(1,615,771)	(993,348)
<b>Investing Activities</b>		
Investment income	40,642	6,237
Purchase of investments	(2,090,000)	(790,000)
Proceeds from maturities of investments	2,290,000	790,000
Net cash provided by investing activities	240,642	6,237
<b>Increase in Cash and Cash Equivalents</b>	2,375,923	185,466
<b>Cash and Cash Equivalents, Beginning of Year</b>	2,859,554	2,674,088
<b>Cash and Cash Equivalents, End of Year</b>	\$ 5,235,477	\$ 2,859,554

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Statements of Cash Flows (continued)

Years Ended December 31, 2019 and 2018

	2019	2018
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b>		
Cash and cash equivalents in current assets	\$ 2,991,250	\$ 935,711
Cash held for residents	71,166	81,276
Cash and cash equivalents in noncurrent cash and investments		
Held by Colorado State Treasurer	270,204	257,350
Cash restricted by donors	50,676	42,725
Internally designated	1,852,181	1,542,492
Total cash and cash equivalents	\$ 5,235,477	\$ 2,859,554
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 2,113,898	\$ (349,876)
Depreciation	1,042,503	1,081,415
Provision for uncollectible accounts	438,437	663,690
Changes in operating assets and liabilities		
Patient accounts receivable	(425,047)	(671,014)
Estimated amounts due from and to third-party payers	84,660	373,735
Accounts payable and other current liabilities	(14,103)	(485,137)
Other assets and liabilities	(27,880)	(71,319)
Net cash provided by operating activities	\$ 3,212,468	\$ 541,494
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital asset acquisition in accounts payable	\$ 6,348	\$ -

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations and Reporting Entity*

Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center (the District) is a political subdivision formed under the Colorado Revised Statutes as a local service and improvement district to provide medical care to the residents of Huerfano County, Colorado, including Walsenburg. The District supports and operates the Spanish Peaks Hospital (the Hospital), a 20-bed facility that is certified as a Critical Access Hospital. In addition, a 120-bed Colorado State Veterans Nursing Home (the Nursing Home) is operated by the District adjacent to the Hospital. The District has component units but is not a component unit of another governmental entity.

In November 1993, the District entered into a contract for the operation of the Nursing Home with the state of Colorado for the benefit of the Department of Human Services. Under the terms of the contract, the District is responsible for the costs associated with operating the facility; in return, all revenue, bank accounts and receivables accrue to the benefit of the District. The original term of the contract was 20 years and is renewable at the District's option for successive 10-year terms up to 99 years from the original commencement date.

As discussed above, expenditures made in excess of revenues earned by the Nursing Home are the responsibility of the District.

The District is organized to finance and operate a hospital and a nursing home. As required by accounting principles generally accepted in the United States of America, these financial statements present the District and each of its component units. The component units are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The separate financial statements of each component unit are presented as supplemental information in the accompanying combining financial statements.

#### *Basis of Accounting and 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, liabilities and deferred inflows of resources 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 and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions.

Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net positions when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### ***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, liabilities and deferred inflows of resources 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 Cash Equivalents***

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of certificates of deposit.

### ***Property Taxes***

The District received approximately 3% and 2% of its financial support from property taxes in 2019 and 2018, respectively. These funds were used to support operations.

Property taxes are assessed in January and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. Property tax revenue is recognized in the year for which the taxes are levied.

### ***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; medical malpractice; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### ***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.

### ***Supplies***

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### ***Investments and Investment Income***

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements 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:

Buildings and leasehold improvements	10 – 40 years
Equipment and computer software	3 – 10 years

### ***Capital Asset Impairment***

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

### ***Compensated Absences***

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

### ***Deferred Inflows of Resources***

The District reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### ***Net Position***

Net position of the District is classified in three components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

### ***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 includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

### ***Charity 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 costs of charity care provided under the District's charity care policy were \$43,534 and \$165,842 in 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

### ***Income Taxes***

As an essential government function of the County, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### ***Nursing Home Cost Allocations***

Costs for the use of shared facilities, common areas and joint operations are allocated between the Nursing Home and the District in accordance with Medicare and Medicaid principles and guidelines. Allocation basis, such as direct salary dollars, square footage, number of meals, laundry pounds and telephone lines are used to allocate the costs accumulated in the various departments between the two facilities.

### ***Revision***

A revision has been made to the 2018 condensed combining statement of cash flows in Note 15. The revision impacted the operating and activities and noncapital financing activities within the District and Hospital columns. The total operating activities and noncapital financing activities were not impacted. This revision had no impact on the financial statement line items.

### **Note 2: 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. These payment arrangements include:

*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.* 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. Most outpatient services are reimbursed under a cost-reimbursement methodology. 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 70% and 68% of net patient service revenue are from participation in the Medicare and Medicaid programs for the years ended December 31, 2019 and 2018, 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.

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.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

The Colorado Healthcare Affordability Act, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a fee on hospitals to generate matching funds to the state of Colorado from federal sources. Implementation of this act occurred during April of 2010. HB 1293 was superseded by Senate Bill 17-267 which repealed the Hospital Provider Fee and created the Colorado Healthcare Accountability and Sustainability Enterprise (CHASE), with the following effect on the District's financial statements:

	<b>2019</b>	<b>2018</b>
CHASE supplemental payments included in patient service revenue	\$ 3,006,109	\$ 2,615,272
CHASE fee expense	(469,144)	(391,862)
Effect of SB 17-267	\$ 2,536,965	\$ 2,223,410

The CHASE provider fee payments have been recorded as an operating expense and the supplemental payments received have been recorded as an adjustment to net patient service revenue in the accompanying financial statements.

### Note 3: Patients Accounts Receivable

The District grants credit without collateral to its patients, many of whom are insured under third-party payer agreements. Patient accounts receivable at December 31, 2019 and 2018 consisted of:

	<b>2019</b>	<b>2018</b>
Medicare	\$ 1,189,647	\$ 1,809,925
Medicaid	922,613	1,248,538
Other third-party payers	1,638,177	1,817,120
Patients	699,775	687,585
	4,450,212	5,563,168
Less allowance for contractals and uncollectible accounts	(1,762,171)	(2,861,737)
	\$ 2,688,041	\$ 2,701,431

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 4: Deposits, Investments and Investment Income

#### *Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Colorado Public Deposit Protection Act (the PDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance is insured by federal insurance (FDIC) for up to \$250,000 for interest and noninterest bearing accounts. Any excess of deposit accounts over the FDIC limit that is not insured is covered by collateral pledged by the financial institution in accordance with the PDPA.

At December 31, 2019 and 2018, \$4,710,714 and \$2,603,594, respectively, of the District's bank balances of \$5,631,656 and \$3,569,724, respectively, were exposed to custodial credit risk as follows:

	<b>2019</b>	<b>2018</b>
Insured (FDIC) or collateralized with securities held by the District	\$ 920,942	\$ 966,130
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the District's name	4,710,714	2,603,594
	\$ 5,631,656	\$ 3,569,724

#### *Investments*

The District may legally invest in certificates of deposit, money market accounts and direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest to a limited extent in equity securities. Money market accounts are valued based on quoted prices in active markets, certificates of deposit are valued at cost, which approximates fair value, and U.S. Treasury notes are priced by the asset custodian based on quoted prices for identical or similar assets in inactive markets.

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy is limited to purchasing securities that mature within one year from the date of purchase for operating funds and five years or less from the date of purchase for capital reserves. A U.S. Treasury note was acquired to use as collateral on a note payable to bank and has a maturity date of August 31, 2026. At this date, the District will purchase another U.S. Treasury note to use as collateral on a note payable to bank.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2019 and 2018, the District's only investments consist of money market accounts, certificates of deposit, and the U.S. Treasury note discussed above.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities pledged as collateral for the District’s repurchase agreements at December 31, 2019 and 2018 are held by outside third parties. The District’s investment policy states that the underlying assets related to the repurchase agreements held are to be invested in federal agency securities.

Concentration of Credit Risk – The District will not have any single investment exceed one-third of the total portfolio, except for U.S. Treasury securities and federal agencies.

Foreign Currency Risk – This risk is related to adverse effects on the fair value of an investment from changes in exchange rates. The District’s investment policy does not permit foreign currency holdings at December 31, 2019.

### **Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	<b>2019</b>	<b>2018</b>
Carrying value		
Bank deposits	\$ 4,960,978	\$ 2,599,608
U.S. Treasury note	1,500,000	1,500,000
Certificates of Deposit	590,000	790,000
On deposit with Colorado State Treasurer	270,204	257,350
Cash on hand	4,295	2,596
	<b>\$ 7,325,477</b>	<b>\$ 5,149,554</b>
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 2,991,250	\$ 935,711
Restricted cash	71,166	81,276
Noncurrent cash and investments:		
Internally designated	2,442,181	2,332,492
Investments held as collateral on long-term debt	1,500,000	1,500,000
Held by Colorado State Treasurer	270,204	257,350
Cash restricted by donors	50,676	42,725
	<b>\$ 7,325,477</b>	<b>\$ 5,149,554</b>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2019 and 2018 were:

	2019				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 17,633	\$ -	\$ -	\$ -	\$ 17,633
Buildings and leasehold improvements	21,976,401	240,210	-	-	22,216,611
Equipment	10,661,413	440,108	-	-	11,101,521
Construction in progress	-	88,220	-	-	88,220
	<u>32,655,447</u>	<u>768,538</u>	<u>-</u>	<u>-</u>	<u>33,423,985</u>
Less accumulated depreciation					
Buildings and leasehold improvements	14,363,607	553,296	-	-	14,916,903
Equipment	8,873,642	489,207	-	-	9,362,849
	<u>23,237,249</u>	<u>1,042,503</u>	<u>-</u>	<u>-</u>	<u>24,279,752</u>
Capital assets, net	<u>\$ 9,418,198</u>	<u>\$ (273,965)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,144,233</u>
	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 17,633	\$ -	\$ -	\$ -	\$ 17,633
Buildings and leasehold improvements	21,940,146	22,289	-	13,966	21,976,401
Equipment	10,565,886	95,527	(75,319)	75,319	10,661,413
Construction in progress	89,285	-	-	(89,285)	-
	<u>32,612,950</u>	<u>117,816</u>	<u>(75,319)</u>	<u>-</u>	<u>32,655,447</u>
Less accumulated depreciation					
Buildings and leasehold improvements	13,812,754	550,853	-	-	14,363,607
Equipment	8,343,079	530,563	-	-	8,873,642
	<u>22,155,833</u>	<u>1,081,416</u>	<u>-</u>	<u>-</u>	<u>23,237,249</u>
Capital assets, net	<u>\$ 10,457,117</u>	<u>\$ (963,600)</u>	<u>\$ (75,319)</u>	<u>\$ -</u>	<u>\$ 9,418,198</u>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 6: Lines of Credit

The District has a line of credit agreement with a financial institution that provides for borrowings of up to \$1,000,000 through the maturity date of November 3, 2020. Interest on the line of credit borrowing is payable monthly at the prime rate less 1.35% with a floor of 3.5%. The line is collateralized by the District's accounts receivable.

The following is a summary of line of credit transactions for the District for the years ended December 31:

		2019			
		Beginning Balance	Additions	Reductions	Ending Balance
Lines of credit	Line of credit with financial institution	\$ 707,414	\$ 2,498	\$ (707,414)	\$ 2,498
		2018			
		Beginning Balance	Additions	Reductions	Ending Balance
Lines of credit	Line of credit with financial institution	\$ 858,906	\$ -	\$ (151,492)	\$ 707,414

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the District for the years ended December 31:

	<b>2019</b>				<b>Amounts Within One Year</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	
Long-term debt					
Notes payable to banks	\$ 1,928,947	\$ -	\$ (153,566)	\$ 1,775,381	\$ 181,900
Notes payable to medical center	1,329,700	-	(343,441)	986,259	358,326
Capital lease obligations	<u>656,123</u>	<u>-</u>	<u>(178,569)</u>	<u>477,554</u>	<u>170,017</u>
Total long-term obligations	<u>\$ 3,914,770</u>	<u>\$ -</u>	<u>\$ (675,576)</u>	<u>\$ 3,239,194</u>	<u>\$ 710,243</u>
	<b>2018</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Within One Year</b>
Long-term debt					
Notes payable to banks	\$ 2,111,483	\$ -	\$ (182,536)	\$ 1,928,947	\$ 168,973
Notes payable to medical center	1,657,465	-	(327,765)	1,329,700	344,846
Capital lease obligations	<u>807,810</u>	<u>-</u>	<u>(151,687)</u>	<u>656,123</u>	<u>164,239</u>
Total long-term obligations	<u>\$ 4,576,758</u>	<u>\$ -</u>	<u>\$ (661,988)</u>	<u>\$ 3,914,770</u>	<u>\$ 678,058</u>

### **Notes Payable to Bank**

The District has a note payable to bank with an outstanding balance of \$134,523 and \$138,102 as of December 31, 2019 and 2018, respectively, that is due September 15, 2022. Principal is payable annually and interest is payable monthly at 4.6%. The note is secured by real property.

During 2012, the District entered into a promissory note payable to a bank with maximum available borrowings for construction of \$2,500,000. As of December 31, 2019 and 2018, borrowings under the note totaled \$1,640,858 and \$1,790,845, respectively. Interest only payments at 4% were due until November 2013, when principal and interest payments became due monthly. The note matures in October 2027 and is secured by a U.S. Treasury note with a balance of \$1,500,000 as of December 31, 2019. The loan agreement requires the maintenance of certain financial covenants.

### **Notes Payable to Medical Center**

The District has a note payable to a medical center with an outstanding balance of \$986,259 and \$1,329,700 as of December 31, 2019 and 2018, respectively. Installments of principal and interest, at 4.25%, are due monthly. The note matures August 15, 2022. The loan agreement requires the maintenance of certain financial covenants.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

The debt service requirements as of December 31, 2019 are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2020	\$ 643,714	\$ 540,226	\$ 103,488
2021	642,679	562,214	80,465
2022	574,404	518,329	56,075
2023	222,893	180,427	42,466
2024	222,893	187,778	35,115
2025-2027	<u>829,570</u>	<u>772,666</u>	<u>56,904</u>
	<u>\$ 3,136,153</u>	<u>\$ 2,761,640</u>	<u>\$ 374,513</u>

### **Capital Lease Obligations**

The District is obligated under leases for buildings and equipment that are accounted for as capital leases. Assets under capital leases at December 31, 2019 and 2018, totaled \$2,137,746, net of accumulated depreciation of \$1,268,927 and \$1,114,281, respectively. The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 2.50% to 3.88% together with the present value of the future minimum lease payments as of December 31, 2019:

2020	\$ 182,376
2021	182,376
2022	134,034
2023	<u>154</u>
Total minimum lease payments	498,940
Less amount representing interest	<u>21,386</u>
Present value of future minimum lease payments	<u>\$ 477,554</u>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 8: Restricted Net Position

At December 31, 2019 and 2018, restricted expendable net position were available for the following purposes:

	<b>2019</b>	<b>2018</b>
Investments held as collateral on long-term debt	\$ 1,500,000	\$ 1,500,000
Nursing Home expense reserve held by Colorado State Treasurer	270,204	257,350
Resident needs, including capital acquisitions	50,676	42,725
Total restricted expendable net position	<u>\$ 1,820,880</u>	<u>\$ 1,800,075</u>

At December 31, 2019 and 2018, \$2,442,181 and \$2,332,492, respectively, of cash and investments have been designated for future use by the District's Board of Directors. Designated balances remain under the control of the Board of Directors and may be used at their discretion.

### Note 9: Operating Leases

Noncancelable operating leases for medical and office equipment expire in various years through 2024.

Future minimum lease payments at December 31, 2019, were:

2020	\$ 79,462
2021	70,555
2022	42,337
2023	35,069
2024	32,147
Future minimum lease payments	<u>\$ 259,570</u>

Lease expense for all operating leases for the years ended December 31, 2019 and 2018 totaled \$107,343 and \$252,862, respectively.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 10: Pension Plan

The District has established and administers the Spanish Peaks Regional Health Center 403(b) Plan (the Plan), a defined contribution plan. Benefit terms may be amended by the District. For all full-time employees meeting the eligibility requirements of the Plan, the employer will make matching contributions of up to 50% of the first 6% of compensation deferred under the compensation reduction election of the employee into the Plan. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and earnings on those contributions. Employer contributions into the Plan are subject to a 5-year graded vesting schedule. Non-vested employer contributions are forfeited upon termination of employment. Forfeitures are used to reduce the employer contributions. Except as permitted under the Plan, distributions from an employee's account may not be made earlier than the earliest date on which the employee has severance from employment, dies, becomes disabled, or attains age 59½.

Contribution rates for plan members and the District expressed as a percentage of covered payroll were 4.58% and 1.65% for 2019 and 7.91% and 2.71% for 2018, respectively. Contributions actually made by plan members and made or accrued by the District aggregated \$618,714 and \$222,139 during 2019 and \$573,841 and \$196,909 during 2018, respectively.

### Note 11: Nursing Home Expense Reserve Account

Under the terms of the operating contract with the state of Colorado (the State), the District is required to establish and fund an expense reserve account, under control of the State, to fund operations should the State be required to assume control of the Nursing Home. The District is required to make annual payments equal to one-half of the Nursing Home's average monthly net accounts receivable balance. The annual payments are to be made until the balance in the fund equals \$660,000. The District is allowed to borrow, interest free, up to 75% of the amount in the account. The balance in the expense reserve account (net of outstanding loans) was \$270,204 and \$257,350 at December 31, 2019 and 2018, respectively, and is included in noncurrent cash and investments (see Note 4). Accordingly, the District had net borrowings from the account of \$389,796 and \$402,650 at December 31, 2019 and 2018. Should the State assume control of the Nursing Home, the District would be required to repay the amount borrowed.

### Note 12: Veterans Health Administration Grant Revenue

The Nursing Home receives Veterans Health Administration grant revenues as a contractor of the state of Colorado for the purpose of providing nursing home care to eligible veterans. For the years ended December 31, 2019 and 2018, such grant revenue totaled \$2,075,076 and \$2,243,043, respectively, and is recorded as other operating revenue in the accompanying financial statements.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 13: Contingencies

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's commercial insurance. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

### Note 14: Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and who receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that its operations qualify for this exclusion.

### Note 15: Subsequent Events

Subsequent events have been evaluated through September 15, 2020, which is the date the financial statements were available to be issued.

#### ***Coronavirus Aid, Relief, and Economic Security Act***

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). The CARES Act provides emergency relief funds, of which the District has received \$4,780,840. Additionally, on April 10, 2020, the District received a loan in the amount of \$3,262,267 pursuant to the Paycheck Protection Program. The District anticipates using all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

### Note 16: Condensed Combining Information

The following tables include condensed combining statements of net position information for the District and its blended component units as of December 31, 2019 and 2018:

	December 31, 2019				
	District	Hospital	Nursing Home	Eliminations	Totals
<b>Assets</b>					
Current assets	\$ 4,913,254	\$ 4,246,989	\$ 2,457,638	\$ (4,016,784)	\$ 7,601,097
Noncurrent cash and investments	4,212,385	-	50,676	-	4,263,061
Capital assets, net	-	5,831,677	3,312,556	-	9,144,233
<b>Total assets</b>	<u>\$ 9,125,639</u>	<u>\$ 10,078,666</u>	<u>\$ 5,820,870</u>	<u>\$ (4,016,784)</u>	<u>\$ 21,008,391</u>
<b>Liabilities</b>					
Current liabilities	\$ -	\$ 7,137,532	\$ 190,648	\$ (4,016,784)	\$ 3,311,396
Long-term liabilities	-	2,339,179	192,270	-	2,531,449
<b>Total liabilities</b>	<u>-</u>	<u>9,476,711</u>	<u>382,918</u>	<u>(4,016,784)</u>	<u>5,842,845</u>
<b>Deferred Inflows of Resources</b>	<u>882,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>882,133</u>
<b>Net Position</b>					
Net investment in capital assets	-	2,868,507	3,027,686	-	5,896,193
Restricted	1,770,204	-	50,676	-	1,820,880
Unrestricted	6,473,302	(2,266,552)	2,359,590	-	6,566,340
<b>Total net position</b>	<u>8,243,506</u>	<u>601,955</u>	<u>5,437,952</u>	<u>-</u>	<u>14,283,413</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 9,125,639</u>	<u>\$ 10,078,666</u>	<u>\$ 5,820,870</u>	<u>\$ (4,016,784)</u>	<u>\$ 21,008,391</u>
	December 31, 2018				
	District	Hospital	Nursing Home	Eliminations	Totals
<b>Assets</b>					
Current assets	\$ 4,897,209	\$ 3,163,483	\$ 1,472,656	\$ (4,016,784)	\$ 5,516,564
Noncurrent cash and investments	4,089,842	-	42,725	-	4,132,567
Capital assets, net	-	6,100,153	3,318,045	-	9,418,198
<b>Total assets</b>	<u>\$ 8,987,051</u>	<u>\$ 9,263,636</u>	<u>\$ 4,833,426</u>	<u>\$ (4,016,784)</u>	<u>\$ 19,067,329</u>
<b>Liabilities</b>					
Current liabilities	\$ 63	\$ 7,002,164	\$ 261,296	\$ (4,016,784)	\$ 3,246,739
Long-term liabilities	-	3,636,464	307,662	-	3,944,126
<b>Total liabilities</b>	<u>63</u>	<u>10,638,628</u>	<u>568,958</u>	<u>(4,016,784)</u>	<u>7,190,865</u>
<b>Deferred Inflows of Resources</b>	<u>876,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>876,860</u>
<b>Net Position</b>					
Net investment in capital assets	-	1,875,952	2,920,062	-	4,796,014
Restricted	1,757,350	-	42,725	-	1,800,075
Unrestricted	6,352,778	(3,250,944)	1,301,681	-	4,403,515
<b>Total net position</b>	<u>8,110,128</u>	<u>(1,374,992)</u>	<u>4,264,468</u>	<u>-</u>	<u>10,999,604</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 8,987,051</u>	<u>\$ 9,263,636</u>	<u>\$ 4,833,426</u>	<u>\$ (4,016,784)</u>	<u>\$ 19,067,329</u>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the District and its blended component units for the years ended December 31, 2019 and 2018.

	Year Ended December 31, 2019				
	District	Hospital	Nursing Home	Eliminations	Totals
<b>Operating Revenues</b>					
Net patient service revenue	\$ -	\$ 16,962,537	\$ 9,418,936	\$ -	\$ 26,381,473
Other operating revenue	-	612,841	2,075,076	-	2,687,917
Total operating revenues	-	17,575,378	11,494,012	-	29,069,390
<b>Operating Expenses</b>					
Depreciation	-	754,900	287,603	-	1,042,503
Other operating expenses	117	16,242,520	9,670,352	-	25,912,989
Total operating expenses	117	16,997,420	9,957,955	-	26,955,492
<b>Operating Income (Loss)</b>	(117)	577,958	1,536,057	-	2,113,898
<b>Nonoperating Revenues, Net</b>	955,233	204,190	10,488	-	1,169,911
<b>Income Before Transfers</b>	955,116	782,148	1,546,545	-	3,283,809
<b>Transfers</b>	(821,738)	1,194,799	(373,061)	-	-
<b>Change in Net Position</b>	133,378	1,976,947	1,173,484	-	3,283,809
<b>Net Position, Beginning of Year</b>	8,110,128	(1,374,992)	4,264,468	-	10,999,604
<b>Net Position, End of Year</b>	<u>\$ 8,243,506</u>	<u>\$ 601,955</u>	<u>\$ 5,437,952</u>	<u>\$ -</u>	<u>\$ 14,283,413</u>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

	Year Ended December 31, 2018				
	District	Hospital	Nursing Home	Eliminations	Totals
<b>Operating Revenues</b>					
Net patient service revenue	\$ -	\$ 16,077,984	\$ 9,486,956	\$ -	\$ 25,564,940
Other operating revenue	-	319,732	2,143,651	-	2,463,383
Total operating revenues	-	16,397,716	11,630,607	-	28,028,323
<b>Operating Expenses</b>					
Depreciation	-	790,112	291,303	-	1,081,415
Other operating expenses	42,746	17,439,376	9,814,662	-	27,296,784
Total operating expenses	42,746	18,229,488	10,105,965	-	28,378,199
<b>Operating Income (Loss)</b>	(42,746)	(1,831,772)	1,524,642	-	(349,876)
<b>Nonoperating Revenues (Expenses), Net</b>	451,726	129,676	(6,134)	-	575,268
<b>Income (Loss) Before Transfers</b>	408,980	(1,702,096)	1,518,508	-	225,392
<b>Transfers</b>	89,314	967,127	(1,056,441)	-	-
<b>Change in Net Position</b>	498,294	(734,969)	462,067	-	225,392
<b>Net Position, Beginning of Year</b>	7,611,834	(640,023)	3,802,401	-	10,774,212
<b>Net Position, End of Year</b>	<u>\$ 8,110,128</u>	<u>\$ (1,374,992)</u>	<u>\$ 4,264,468</u>	<u>\$ -</u>	<u>\$ 10,999,604</u>

The following tables include condensed combining statements of cash flows information for the District and its blended component units for the years ended December 31, 2019 and 2018.

	Year Ended December 31, 2019			
	District	Hospital	Nursing Home	Total
Net cash provided by (used in)				
Operating activities	\$ (180)	\$ 1,039,084	\$ 2,173,564	\$ 3,212,468
Noncapital financing activities	82,089	809,516	(353,021)	538,584
Capital and related financing activities	-	(1,210,992)	(404,779)	(1,615,771)
Investing activities	240,642	-	-	240,642
Cash and cash equivalents, beginning of year	322,551	637,608	1,415,764	2,375,923
	<u>1,801,340</u>	<u>824,425</u>	<u>233,789</u>	<u>2,859,554</u>
Cash and cash equivalents, end of year	<u>\$ 2,123,891</u>	<u>\$ 1,462,033</u>	<u>\$ 1,649,553</u>	<u>\$ 5,235,477</u>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Notes to Financial Statements December 31, 2019 and 2018

	Year Ended December 31, 2018			
	District	Hospital	Nursing Home	Total
Net cash provided by (used in)				
Operating activities	\$ (89,385)	\$ (519,341)	\$ 1,150,220	\$ 541,494
Noncapital financing activities	184,803	1,484,898	(1,038,618)	631,083
Capital and related financing activities	-	(870,871)	(122,477)	(993,348)
Investing activities	6,237	-	-	6,237
Cash and cash equivalents, beginning of year	101,655	94,686	(10,875)	185,466
	1,699,685	729,739	244,664	2,674,088
Cash and cash equivalents, end of year	\$ 1,801,340	\$ 824,425	\$ 233,789	\$ 2,859,554

## **Supplementary Information**

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Combining Statement of Net Position December 31, 2019

### Assets

	District	Hospital	Nursing Home	Eliminations	Totals
<b>Current Assets</b>					
Cash and cash equivalents	\$ 1,506	\$ 1,462,033	\$ 1,527,711	\$ -	\$ 2,991,250
Cash held for residents	-	-	71,166	-	71,166
Patient accounts receivable, net of allowance of \$215,054	-	2,028,749	659,292	-	2,688,041
Property taxes receivable	892,897	-	-	-	892,897
Due from affiliates	4,016,784	-	-	(4,016,784)	-
Supplies	-	453,551	-	-	453,551
Other current assets	2,067	302,656	199,469	-	504,192
	<u>4,913,254</u>	<u>4,246,989</u>	<u>2,457,638</u>	<u>(4,016,784)</u>	<u>7,601,097</u>
Total current assets					
<b>Noncurrent Cash and Investments</b>					
Internally designated	2,442,181	-	-	-	2,442,181
Assets whose use is limited					
Investments held as collateral on long-term debt	1,500,000	-	-	-	1,500,000
Held by Colorado State Treasurer	270,204	-	-	-	270,204
Cash restricted by donors	-	-	50,676	-	50,676
	<u>4,212,385</u>	<u>-</u>	<u>50,676</u>	<u>-</u>	<u>4,263,061</u>
Total noncurrent cash and investments					
<b>Capital Assets, Net</b>	<u>-</u>	<u>5,831,677</u>	<u>3,312,556</u>	<u>-</u>	<u>9,144,233</u>
Total assets	<u>\$ 9,125,639</u>	<u>\$ 10,078,666</u>	<u>\$ 5,820,870</u>	<u>\$ (4,016,784)</u>	<u>\$ 21,008,391</u>

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
Combining Statement of Net Position (continued)  
December 31, 2019**

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

	<b>District</b>	<b>Hospital</b>	<b>Nursing Home</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ 570,367	\$ 8,488	\$ -	\$ 578,855
Accrued expenses and other current liabilities	-	1,761,008	12,253	-	1,773,261
Current maturities of long-term debt	-	617,643	92,600	-	710,243
Estimated third-party payer settlements	-	171,730	-	-	171,730
Due to affiliates	-	4,016,784	-	(4,016,784)	-
Deposits from residents	-	-	77,307	-	77,307
<b>Total current liabilities</b>	-	7,137,532	190,648	(4,016,784)	3,311,396
<b>Lines of Credit</b>	-	2,498	-	-	2,498
<b>Long-term Debt</b>	-	2,336,681	192,270	-	2,528,951
<b>Total liabilities</b>	-	9,476,711	382,918	(4,016,784)	5,842,845
<b>Deferred Inflows of Resources</b>					
Deferred property tax revenues	882,133	-	-	-	882,133
<b>Total liabilities and deferred inflows of resources</b>	882,133	9,476,711	382,918	(4,016,784)	6,724,978
<b>Net Position</b>					
Net investment in capital assets	-	2,868,507	3,027,686	-	5,896,193
Restricted expendable	1,770,204	-	50,676	-	1,820,880
Unrestricted	6,473,302	(2,266,552)	2,359,590	-	6,566,340
<b>Total net position</b>	8,243,506	601,955	5,437,952	-	14,283,413
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 9,125,639</u>	<u>\$ 10,078,666</u>	<u>\$ 5,820,870</u>	<u>\$ (4,016,784)</u>	<u>\$ 21,008,391</u>

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
Combining Statement of Net Position  
December 31, 2018**

**Assets**

	<b>District</b>	<b>Hospital</b>	<b>Nursing Home</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 1,498	\$ 824,425	\$ 109,788	\$ -	\$ 935,711
Cash held for residents	-	-	81,276	-	81,276
Patient accounts receivable, net of allowance of \$302,431	-	1,810,167	891,264	-	2,701,431
Property taxes receivable	876,860	-	-	-	876,860
Due from affiliates	4,016,784	-	-	(4,016,784)	-
Supplies	-	474,201	-	-	474,201
Other current assets	2,067	54,690	390,328	-	447,085
	<u>4,897,209</u>	<u>3,163,483</u>	<u>1,472,656</u>	<u>(4,016,784)</u>	<u>5,516,564</u>
<b>Noncurrent Cash and Investments</b>					
Internally designated	2,332,492	-	-	-	2,332,492
Assets whose use is limited					
Investments held as collateral on long-term debt	1,500,000	-	-	-	1,500,000
Held by Colorado State Treasurer	257,350	-	-	-	257,350
Cash restricted by donors	-	-	42,725	-	42,725
	<u>4,089,842</u>	<u>-</u>	<u>42,725</u>	<u>-</u>	<u>4,132,567</u>
<b>Capital Assets, Net</b>					
	<u>-</u>	<u>6,100,153</u>	<u>3,318,045</u>	<u>-</u>	<u>9,418,198</u>
Total assets	<u>\$ 8,987,051</u>	<u>\$ 9,263,636</u>	<u>\$ 4,833,426</u>	<u>\$ (4,016,784)</u>	<u>\$ 19,067,329</u>

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
Combining Statement of Net Position (continued)  
December 31, 2018**

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

	<b>District</b>	<b>Hospital</b>	<b>Nursing Home</b>	<b>Eliminations</b>	<b>Totals</b>
<b>Current Liabilities</b>					
Accounts payable	\$ 63	\$ 557,074	\$ 91,253	\$ -	\$ 648,390
Accrued expenses and other current liabilities	-	1,753,499	10,992	-	1,764,491
Current maturities of long-term debt	-	587,737	90,321	-	678,058
Estimated third-party payer settlements	-	87,070	-	-	87,070
Due to affiliates	-	4,016,784	-	(4,016,784)	-
Deposits from residents	-	-	68,730	-	68,730
<b>Total current liabilities</b>	<b>63</b>	<b>7,002,164</b>	<b>261,296</b>	<b>(4,016,784)</b>	<b>3,246,739</b>
<b>Lines of Credit</b>	-	707,414	-	-	707,414
<b>Long-term Debt</b>	-	2,929,050	307,662	-	3,236,712
<b>Total liabilities</b>	<b>63</b>	<b>10,638,628</b>	<b>568,958</b>	<b>(4,016,784)</b>	<b>7,190,865</b>
<b>Deferred Inflows of Resources</b>					
Deferred property tax revenues	876,860	-	-	-	876,860
<b>Total liabilities and deferred inflows of resources</b>	<b>876,923</b>	<b>10,638,628</b>	<b>568,958</b>	<b>(4,016,784)</b>	<b>8,067,725</b>
<b>Net Position</b>					
Net investment in capital assets	-	1,875,952	2,920,062	-	4,796,014
Restricted expendable	1,757,350	-	42,725	-	1,800,075
Unrestricted	6,352,778	(3,250,944)	1,301,681	-	4,403,515
<b>Total net position</b>	<b>8,110,128</b>	<b>(1,374,992)</b>	<b>4,264,468</b>	<b>-</b>	<b>10,999,604</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 8,987,051</b>	<b>\$ 9,263,636</b>	<b>\$ 4,833,426</b>	<b>\$ (4,016,784)</b>	<b>\$ 19,067,329</b>

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2019**

	<u>District</u>	<u>Hospital</u>	<u>Nursing Home</u>	<u>Eliminations</u>	<u>Totals</u>
<b>Operating Revenues</b>					
Net patient service revenue, net of provision for uncollectible accounts of \$438,437	\$ -	\$ 16,962,537	\$ 9,418,936	\$ -	\$ 26,381,473
Other operating revenue	-	612,841	2,075,076	-	2,687,917
Total operating revenues	-	17,575,378	11,494,012	-	29,069,390
<b>Operating Expenses</b>					
Salaries, wages and employee benefits	-	10,785,766	6,957,581	-	17,743,347
Purchased services and professional fees	-	2,483,476	1,013,643	-	3,497,119
Supplies and other	117	2,973,278	1,699,128	-	4,672,523
Depreciation	-	754,900	287,603	-	1,042,503
Total operating expenses	117	16,997,420	9,957,955	-	26,955,492
<b>Operating Income (Loss)</b>	(117)	577,958	1,536,057	-	2,113,898
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	915,885	-	-	-	915,885
Investment income	40,642	-	-	-	40,642
Interest expense	-	(115,443)	(9,552)	-	(124,995)
Noncapital grants and gifts	-	319,633	19,511	-	339,144
Other	(1,294)	-	529	-	(765)
Total nonoperating revenues (expenses)	955,233	204,190	10,488	-	1,169,911
<b>Income Before Transfers</b>	955,116	782,148	1,546,545	-	3,283,809
<b>Transfers</b>	(821,738)	1,194,799	(373,061)	-	-
<b>Increase in Net Position</b>	133,378	1,976,947	1,173,484	-	3,283,809
<b>Net Position, Beginning of Year</b>	8,110,128	(1,374,992)	4,264,468	-	10,999,604
<b>Net Position, End of Year</b>	\$ 8,243,506	\$ 601,955	\$ 5,437,952	\$ -	\$ 14,283,413

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2018**

	<u>District</u>	<u>Hospital</u>	<u>Nursing Home</u>	<u>Eliminations</u>	<u>Totals</u>
<b>Operating Revenues</b>					
Net patient service revenue, net of provision for uncollectible accounts of \$663,690	\$ -	\$ 16,077,984	\$ 9,486,956	\$ -	\$ 25,564,940
Other operating revenue	-	319,732	2,143,651	-	2,463,383
Total operating revenues	-	16,397,716	11,630,607	-	28,028,323
<b>Operating Expenses</b>					
Salaries, wages and employee benefits	-	11,428,982	7,081,325	-	18,510,307
Purchased services and professional fees	-	2,571,831	1,073,604	-	3,645,435
Supplies and other	42,746	3,438,563	1,659,733	-	5,141,042
Depreciation	-	790,112	291,303	-	1,081,415
Total operating expenses	42,746	18,229,488	10,105,965	-	28,378,199
<b>Operating Income (Loss)</b>	<b>(42,746)</b>	<b>(1,831,772)</b>	<b>1,524,642</b>	<b>-</b>	<b>(349,876)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	445,418	-	-	-	445,418
Investment income	6,237	-	-	-	6,237
Interest expense	-	(189,587)	(23,957)	-	(213,544)
Noncapital grants and gifts	-	319,263	17,823	-	337,086
Other	71	-	-	-	71
Total nonoperating revenues (expenses)	451,726	129,676	(6,134)	-	575,268
<b>Income (Loss) Before Transfers</b>	<b>408,980</b>	<b>(1,702,096)</b>	<b>1,518,508</b>	<b>-</b>	<b>225,392</b>
<b>Transfers</b>	<b>89,314</b>	<b>967,127</b>	<b>(1,056,441)</b>	<b>-</b>	<b>-</b>
<b>Increase (Decrease) in Net Position</b>	<b>498,294</b>	<b>(734,969)</b>	<b>462,067</b>	<b>-</b>	<b>225,392</b>
<b>Net Position, Beginning of Year</b>	<b>7,611,834</b>	<b>(640,023)</b>	<b>3,802,401</b>	<b>-</b>	<b>10,774,212</b>
<b>Net Position, End of Year</b>	<b>\$ 8,110,128</b>	<b>\$ (1,374,992)</b>	<b>\$ 4,264,468</b>	<b>\$ -</b>	<b>\$ 10,999,604</b>

# Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center

## Budget and Actual Revenues and Expenses Year Ended December 31, 2019

	Actual	Budget	Favorable (Unfavorable) Variance
<b>Operating Revenues</b>			
Net patient service revenue	\$ 26,381,473	\$ 26,425,802	\$ (44,329)
Other operating revenue	2,687,917	2,484,305	203,612
	29,069,390	28,910,107	159,283
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	17,743,347	17,435,807	(307,540)
Other operating expenses	9,212,145	9,834,995	622,850
	26,955,492	27,270,802	315,310
<b>Operating Income</b>	2,113,898	1,639,305	474,593
<b>Nonoperating Revenue, Net</b>	1,169,911	804,445	365,466
<b>Income Before Transfers</b>	\$ 3,283,809	\$ 2,443,750	\$ 840,059

### **Notes to Schedule**

Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Appropriations are adopted by resolution in total. There were no supplemental budgets adopted during 2019.