

**EAST MORGAN COUNTY  
HOSPITAL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

EAST MORGAN COUNTY HOSPITAL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
December 31, 2020

Table of Contents

	Page
Independent Auditors' Report	1
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-Governmental Fund	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Net Position	7
Notes to Financial Statements	8-16
Supplemental Information	
Combined Schedule of Cash and Investments	17



**LIITTJOHANN, KAUFFMAN, and PEDERSON**  
Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Morgan County Hospital District  
Brush, Colorado

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of the East Morgan County Hospital District as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of the East Morgan County Hospital District as of December 31, 2020 and the respective changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Management has omitted 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The Combined Schedule of Cash and Investments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combined Schedule of Cash and Investments 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 Combined Schedule of Cash and Investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Fort Morgan, Colorado  
June 4, 2021

EAST MORGAN COUNTY HOSPITAL DISTRICT  
STATEMENT OF NET POSITION  
As of December 31, 2020

	Primary Governmental Activities	Component Unit East Morgan County Hospital Foundation
<b>Assets</b>		
<b>Current Assets</b>		
Cash in bank and savings	\$ 714,310	\$ 105,653
Cash with County Treasurer	8,262	-
Certificate of deposit	2,958,557	303,767
General property taxes receivable	1,174,362	-
Accrued interest revenue	4,317	99
Inventory		6,777
Investments	1,413,928	912,265
<b>Total Current Assets</b>	<b>6,304,066</b>	<b>1,326,261</b>
<b>Long-term Assets</b>		
<b>Capital Assets</b>		
<b>Nondepreciable Assets</b>		
Land	1,099,373	-
<b>Depreciable Assets</b>		
Buildings and Improvements	12,577,176	4,150
Fixed Equipment	15,867,167	-
Major Moveable Equipment	8,645,302	500
Construction in Progress	217,265	-
<b>Total Depreciable Assets</b>	<b>37,307,110</b>	<b>4,650</b>
Less: Depreciation	(20,623,844)	(2,506)
<b>Net Depreciable Assets</b>	<b>16,683,266</b>	<b>2,144</b>
<b>Net Capital Assets</b>	<b>17,782,639</b>	<b>2,144</b>
<b>Endowment Assets</b>		
Certificate of Deposit	-	35,000
<b>Total Assets</b>	<b>24,086,701</b>	<b>1,365,425</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	-	353
Accrued interest expense	29,960	-
Unearned contribution revenue - current portion	633,353	-
Current portion of general obligation bonds	270,000	-
<b>Total Current Liabilities</b>	<b>933,293</b>	<b>353</b>
<b>Long-term Liabilities</b>		
Long-term portion of unearned contribution revenue	3,641,367	-
General obligation bonds	4,470,300	-
Less: Unamortized debt issuance costs	(31,884)	-
<b>Net General Obligation Bonds</b>	<b>4,378,115</b>	<b>-</b>
<b>Total Liabilities</b>	<b>8,953,075</b>	<b>353</b>
<b>Deferred Inflows of Resources</b>		
Deferred tax revenues	1,174,362	-
<b>Net Position</b>		
Net Investment in capital assets	17,782,639	
<b>With Donor Restrictions</b>		
<b>Restricted</b>		
Emergency reserve (TABOR)	25,000	
Restricted for capital purchases	121,390	
Other purposes		35,000
<b>Temporarily Restricted</b>		<b>224,356</b>
<b>Without Donor Restrictions</b>	<b>(3,970,061)</b>	<b>1,105,236</b>
<b>Total Net Position</b>	<b>\$ 13,959,024</b>	<b>\$ 1,364,592</b>

The accompanying notes and independent auditors' report should be read with these financial statements.

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2020

	Program Revenues		Capital Grants and Contributions	Primary Government Net Governmental Activities	Component Unit
Expenses	Operating Grants and Contributions	-	\$ 833,738	\$ (1,372,370)	East Morgan County Hospital Foundation
Governmental Activities: Public Health	\$ 2,206,108	\$ -	\$ 833,738	\$ (1,372,370)	\$ (2,729)
Component Unit: East Morgan County Hospital Foundation	\$ 21,979	\$ 19,250	\$ -	\$ -	\$ (2,729)

**General Revenues**

**Taxes:**

Property tax, levied for general purposes	1,101,000
Specific ownership	102,735
Rent income	383,013
Other income	262
Gain (Loss) on disposal of assets	(23,689)
Investment earnings	37,126
Unrealized loss on investments	42,694
Inter-entity transfer	-
<b>Total General Revenues</b>	<b>1,604,937</b>

**Change in Net Position**

Net Position - Beginning of Year	1,287,501
Net Position - End of Year	\$ 1,395,024

The accompanying notes and independent auditors' report should be read with these financial statements.

EAST MORGAN COUNTY HOSPITAL DISTRICT  
BALANCE SHEET  
GENERAL FUND  
As of December 31, 2020

	General Fund
<b>ASSETS AND DEFERRED OUTFLOWS</b>	
Cash in bank and savings	\$ 744,340
Cash with County Treasurer	8,262
Certificate of deposit	2,958,557
General property taxes receivable	1,174,682
Investments	1,413,928
	\$ 6,299,769
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Unearned contribution revenues	4,275,000
Total Liabilities	4,275,000
<b>Deferred Inflows of Resources</b>	
Deferred tax revenues	1,174,682
<b>Fund Balances</b>	
Restricted	
Restricted for emergencies	25,000
Restricted for capital purchases	121,390
Unassigned	703,697
Total Fund Balance	850,087
Total Liabilities, Deferred Inflows and Fund Balance	\$ 6,299,769
Reconciliation between fund balances reported as governmental funds on the Balance Sheet and Net Position reported on the Statement of Net Position:	
Fund Balance	\$ 850,087
Capital Assets used in governmental activities are not financial resources and therefore not recorded in the fund	17,782,695
Long-term liabilities, including general obligation bonds are not due and payable in the current period and, therefore, are not reported in the fund.	(4,648,115)
Interest is accrued on outstanding long-term debt and is not due and payable in the current period and, therefore, is not reported in the fund.	(29,960)
Accrued interest revenue is not a source of financial resources and is not reported in the fund.	4,317
Net Position of Governmental Activities	\$ 13,959,024

The accompanying notes and independent auditors' report should be read with these financial statements.

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
For the Year Ended December 31, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance: Favorable (Unfavorable)
<b>Revenue</b>				
Taxes (net treasurer's fees of \$22,469)	\$ 1,093,285	\$ 1,103,000	\$ 1,101,000	\$ (2,000)
Specific ownership	100,000	95,000	102,735	7,735
Rental Income	-	-	388,013	388,013
Investment Income	20,000	57,000	1,616	(18,384)
Other income	-	-	262	262
Contributions	500,000	707,500	833,738	126,238
<b>Total Revenue</b>	<b>1,713,285</b>	<b>1,962,500</b>	<b>2,462,364</b>	<b>499,864</b>
<b>Expenditures</b>				
<b>Current</b>				
Legal and accounting	13,000	12,660	6,539	6,121
Board insurance	12,000	10,000	5,466	4,534
Repairs and maintenance	283,625	21,700	16,716	16,281
Other direct expense	12,000	7,000	4,483	2,517
Office expense	1,250	500	646	(146)
Consulting fees	70,000	72,000	74,205	(2,205)
<b>Total Current Expenditures</b>	<b>391,875</b>	<b>223,860</b>	<b>137,755</b>	<b>86,105</b>
<b>Capital Outlay</b>				
Equipment	607,057	125,000	124,647	353
Building Improvements	579,000	617,747	539,122	78,625
<b>Total Capital Outlay</b>	<b>1,186,057</b>	<b>742,747</b>	<b>663,769</b>	<b>78,978</b>
<b>Total Expenditures</b>	<b>1,577,932</b>	<b>966,607</b>	<b>801,524</b>	<b>165,083</b>
Revenues in Excess of Expenditures	135,353	995,893	1,660,840	664,947
<b>Other Financing Sources (Uses)</b>				
Repayment on bond issuance				
Principal	(323,500)	(260,000)	(260,000)	-
Interest	(77,258)	(140,756)	(140,756)	-
Inter entity operating transfer	5,000	5,000	-	(5,000)
Revenues and Other Financing Sources in Excess of Expenditures	\$ (260,405)	\$ 600,135	1,260,082	\$ 659,947
Fund Balance - Beginning of Year			(409,995)	
Fund Balance - End of Year			<u>\$ 850,087</u>	

The accompanying notes and independent auditors' report should be read with these financial statements.

EAST MORGAN COUNTY HOSPITAL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended December 31, 2020

Amounts reported for Governmental Activities in the Statement of  
 Activities are different because:

Net Change in Fund Balance of Governmental Fund \$ 1,260,082

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation expense in the period.

Depreciation Expense	\$ (1,915,059)	
Capital Outlays	<u>663,769</u>	(1,251,290)

Loss on disposal of assets due to unused depreciation is not an expense on the governmental fund. (23,689)

Revenues from interest are recorded when received for governmental funds whereas they are recognized when identifiable for governmental activities (278)

Repayment of a bond obligation is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments. 260,000

In the statement of activities, certain operating expenses such as interest are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the net effect of interest payable on the statement of activities (5,604)

Debt issuance costs associated with long-term notes payable are recognized as expenditures and other financing uses in the governmental funds at the time the debt is issued. However, these items are capitalized in the statement of activities and amortized over the life of the debt. This is the amount of amortization on debt issuance costs. (6,654)

Change in Net Position of Governmental Activities	\$ 232,567
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The accompanying notes and independent auditors' report should be read with these financial statements.

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of East Morgan County Hospital District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

A. Reporting Entity

East Morgan County Hospital District is a political subdivision of the State of Colorado governed by a five-member board of directors. As required by generally accepted accounting principles, these financial statements present the East Morgan County Hospital District (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, the East Morgan County Hospital Foundation has been included as a component unit in the accompanying financial statements.

Discretely Presented Component Units

The East Morgan County Hospital Foundation, a Colorado non-profit corporation, was established to support the East Morgan County Hospital District through solicitation, acquisition, and acceptance of contributions, gifts, donations, bequests or other assets. The Foundation is controlled by a nine member board of directors. Five of these board members are also board members of the Hospital District.

The Foundation's financial activity is presented as a discretely presented component unit of the District. It is reported in separate column in the government-wide financial statements to emphasize that it is legally separate from the District. The governing body of the component unit is not appointed by the Board. The NCPA Audit and Accounting Guide titled Not-for-Profit Organizations prescribes a financial statement presentation for non-profit entities which differs from that followed by the District. The Foundation's financial statements consist of a Statement of Financial Position, Statement of Activities, and a Statement of Cash Flows. These financial statements have been modified for presentation in the District's financial statements to follow a presentation similar to that of a governmental entity.

Complete financial statements of the component unit may be obtained from:

East Morgan County Hospital Foundation, Inc.  
242 Cambridge Street  
Brush, CO 80723

B. Nature of Operations

The District provides medical/health care services for citizens in and around the community of Brush, Colorado.

C. Basis of Presentation and Accounting

Government-wide Financial Statements

Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term debt, are included in the accompanying Statement of Net Position.

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation and Accounting (Continued)

Government-wide Financial Statements (Continued)

The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenue restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has a single governmental fund, the general fund, which is a major fund.

D. Basis of Presentation and Accounting

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

E. Budgets

The District adopts an annual budget for the general fund which is prepared on the cash basis of accounting. The District may authorize supplemental appropriations during the budget year. There was one supplemental appropriations during 2020. All budgetary appropriations lapse at year end.

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets (Continued)**

Colorado statutes provide the following timetable which is followed in the adoption of budgets:

1. Submission of the proposed budget to the local governing body by October 15<sup>th</sup> of each year.
2. Certification of mill levies to the Board of County Commissioners by December 15<sup>th</sup>.
3. Final adoption of budget and appropriations by December 31<sup>st</sup> of each year.
4. Property taxes are due by April 30<sup>th</sup> of each year if paid in full, or in two installments due February 28<sup>th</sup> and June 15<sup>th</sup> of each year.
5. Liens are placed on property for which taxes are delinquent in November of each year.

**F. Deposits and Investments**

The District's cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities at three months or less from the date of acquisition.

Investments are stated at fair value except for money market investments which are reported at cost. Any differences between the market value and cost of investments, other than short-term money market investments are reflected in investment income.

**G. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The component unit's unconditional promises to give represent short and long-term pledges adjusted for uncollectible promises and present value discounts.

**H. Encumbrances**

The District does not use encumbrance accounting.

**I. Capital Assets**

Capital Assets, which include land and machinery and equipment (furniture, vehicles, computers, etc.), are reported in the Governmental Activities column of the Government-Wide Financial Statements. A revised capitalization policy was adopted by the District as of the beginning of 2010. Assets with an initial individual cost of more than \$5,000 and a useful life of two or more years are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10 Years
Buildings Additions and Improvements	7-20 Years
Equipment & Furniture	3-15 Years

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Long-Term Debt and Costs**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refunding of debts are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**K. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District does not have any deferred outflows of resources to report.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: property taxes levied in 2020 and due in 2021.

**L. Net Position**

Net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

**Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

**Restricted** – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net position**-This component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of restricted or "net investment in capital assets."

**M. Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**NOTE 2. CASH AND INVESTMENTS**

**A. Cash and Certificates of Deposit**

The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial banks under provisions of the Colorado Public Deposit Protection Act.

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the state of Colorado or any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

**B. Investments**

*Credit Risk:* State law limits investments for local governments to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper are limited to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. As of December 31, 2020, the District's investments were rated either Aaa or AAA as noted in the supplemental Combined Schedule of Cash and Investments.

The primary government's investments consist of obligations of United States agencies, certificates of deposit and a money market account.

*Custodial Credit Risk:* The District's and the component unit's bank accounts and certificates of deposit at year end were entirely covered by federal depository insurance or collateral held by the District's custodial banks under the provisions of the Colorado Public Deposit Protection Act ("CPDPA").

The CPDPA requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

*Maturities:* The investment bonds carried by the District on December 31, 2020 will have maturities as follows:

Maturities within one year	\$	401,553
Maturities within two years		418,132
Maturities within three years		0
Maturities within four years		0
Maturities within five years		0

The District and the component unit do not have policies regarding interest rate risk and credit risk for investments. State law limits investment maturities to five years or less.

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 3. CHANGES IN GENERAL FIXED ASSETS**

	Balance December 31, 2019	Additions	Deletions and Adjustments	Balance December 31, 2020
<u>Governmental Activities</u>				
Non-depreciable assets:				
Land	\$ 1,099,373	\$ -	\$ -	\$ 1,099,373
Total Non-depreciable Assets	1,099,373	-	-	1,099,373
Depreciable Assets:				
Buildings and improvements	12,298,126	321,837	(42,488)	12,577,475
Fixed equipment	15,870,382	-	(3,275)	15,867,107
Major moveable equipment	10,701,145	122,037	(2,177,880)	8,647,912
Total Depreciable Assets	38,869,653	443,874	(2,223,643)	37,089,884
Less: Accumulated depreciation	(20,911,393)	(1,912,409)	2,199,954	(20,623,848)
Net Depreciable Assets	17,958,260	(1,468,535)	(23,689)	16,466,036
Total Governmental Activities	<u>\$ 19,057,633</u>	<u>\$ (1,468,535)</u>	<u>\$ (23,689)</u>	<u>\$ 17,565,409</u>

The amount of depreciation expense for public health in 2020 is \$1,912,409.

**NOTE 4. CONTRIBUTIONS – BEQUESTS/COMPONENT UNIT**

The District receives contributions from the East Morgan County Hospital Foundation, in-kind contributions represent goods or services purchased by the East Morgan County Hospital Foundation on behalf of the District. As of December 31, 2020, there were no contributions paid by the Foundation but not yet received by the District.

**NOTE 5. NET POSITION APPROPRIATIONS AND RESERVES**

**A. Capital Improvements**

The District has reserved \$121,390 for capital purchases. This amount is made up of donor restricted contributions made in 2020 that have not yet been spent for the restricted purpose. These contributions are expected to be spent on 2021 capital purchases.

**B. Tax, Spending, Revenue and Debt Limitations**

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado, all local governments, and special districts.

The District's financial activity for the year ended December 31, 2002 will provide the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 2002, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and debt.

**EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 5. NET POSITION APPROPRIATIONS AND RESERVES (CONTINUED)**

**B. Tax, Spending, Revenue, and Debt Limitations (Continued)**

In May, 1998 the District's electorate approved a resolution to permit the District to collect and receive, retain, and expend all revenue and other funds from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution, provided however, that there is no increasing of tax rates or new taxes imposed.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

The District has made the following fund balance reservation as a result of Article X, Section 20 (TABOR) to the Colorado Constitution:

Emergency Reserve

The Article requires an emergency reserve to be set aside for 2021 in the amount of 3% or more of its fiscal year spending. At December 31, 2020, the District has reserved \$25,000 for 2021 emergencies.

The District's management believes the District is in full compliance with the provisions of TABOR.

**C. Temporarily Restricted**

The Foundation (component unit) has balances in net assets that consist of donations that have been received by donors for a specific purpose. These net assets are recorded in total as temporarily donor restricted assets. The scholarship fund consists of a combination of donor restricted assets and board designated fundraising event proceeds. Temporarily donor restricted assets are as follows:

Scholarships	54,205
Clara Potter Howe Trust	9,147
Foiles Bequest	158,674
Memorials	330
Gannon Funds - Rehab	2,000
	224,356
	224,356

**D. Permanently Restricted**

During 1992, the Foundation (Component Unit) received a \$35,000 contribution whereby the donor stipulated that the principle remain intact, with only the income used for operations of the Foundation.

**NOTE 6. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to personnel, and natural disasters. The District purchases commercial insurance and Colorado Compensation Insurance for all risks of loss. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**NOTE 7. OTHER MATTERS**

The District relies upon Banner Health, a non-profit health care system, for purchases of assets and coordination of major asset purchases. Banner Health uses the facilities and equipment provided by the District to provide health care services to the community. Banner Health is able to obtain better contracts and prices due to its volume buying as a large health care organization.

**EAST MORGAN COUNTY HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 8. UNEARNED CONTRIBUTION REVENUE**

In 2013, the District finalized a renewed lease contract with Banner Health for 15 years. As a part of the lease agreement, Banner gave the District a \$9.5 million contribution to use in connection with the campus expansion project of East Morgan County Hospital. The lease agreement states that if the District or Banner break the lease prior to the end of the 15 years, the District will have to repay a prorated portion of the contribution. As such, the entire amount was recorded as unearned revenue and is being amortized over the life of the 15-year contract. For 2020, contribution revenue of \$633,333 was recognized, and as of December 31, 2020, deferred revenues of \$4,275,000 are shown on the statement of net position.

**NOTE 9. GENERAL OBLIGATION BOND ISSUANCE**

The District issued \$5,000,000 of general obligation demand bonds in October of 2019 maturing serially through December 1, 2034, backed by the full faith, credit, and taxing power of the District, net of related bond issuance premiums or discounts. The bonds were issued pursuant to a resolution adopted by the Board in September, 2019 for the purpose of re-financing the construction bonds issued in 2016, funding a debt service reserve fund, and paying the costs of issuance of the Certificates. The Certificates are payable solely from (a) annually appropriated Base Rentals and any Purchase Option Price paid by the District under the Lease Purchase Agreement; (b) moneys held in the Reserve Fund created under the agreement; and (c) following an Event of Non-appropriation or Event of Default under the Lease Purchase Agreement, any moneys received from the lease of the property or the exercise of other remedies under the Lease Purchase Agreement.

All financial obligations of the District under the Lease Purchase Agreement, including the District's obligation to pay Base Rentals, are subject to annual appropriation by the Board of the District. No provision of the Certificates, the Indenture, the Lease Purchase Agreement or the Site Lease should be construed or interpreted to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year, or as creating a debt or multiple Fiscal Year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article X, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision. These bonds are considered obligations of the general government and will be repaid with general government revenue sources.

The Certificates are subject to redemption prior to maturity at the option of the District, in whole, on December 1, 2020 and on any date thereafter, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

In association with the issuance, debt issuance costs of \$99,815 were incurred and have been amortized over the life of the bonds (15 years) using the straight-line method. The amount of amortization costs for public health in 2020 is \$6,654. As of December 31, 2020, unamortized debt issuance costs of \$91,885 are shown on the statement of net position.

The debt service requirements to maturity for general obligation bonds are as follows:

Date	Principal	Interest	Total Principal & Interest
12/31/21	270,000	120,396	390,396
12/31/22	275,000	113,530	388,530
12/31/23	285,000	106,553	391,553
12/31/24	290,000	99,314	389,314
12/31/25	300,000	91,918	391,918
2026-2030	1,725,000	337,185	2,062,185
2031-2034	1,595,000	102,616	1,697,616

EAST MORGAN COUNTY HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 10. LONG TERM LIABILITIES

Changes in long term liabilities are as follows:

	Balance 12/31/19	Addition	Reduction	Balance 12/31/20
Unearned Contribution Revenue	4,908,333	-	(633,333)	4,275,000
General Obligation Bonds	5,000,000	-	(260,000)	4,740,000
Unamortized Debt Issuance Costs	(98,539)	-	6,654	(91,885)
<b>Total Long Term Liabilities</b>	<b>9,809,794</b>	<b>-</b>	<b>(886,679)</b>	<b>8,923,115</b>

NOTE 11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued. No events were noted that would require adjustment to or disclosure in the financial statements.

**EAST MORGAN COUNTY - HOSPITAL DISTRICT**  
**COMBINED SCHEDULE OF CASH AND INVESTMENTS**  
As of December 31, 2020

	Investment Rating	Interest Rate	Maturity Date	Fair Value
<b>CASH AND DEPOSITS</b>				
Money Market and Checking				
Farmers State Bank	N/A	0.02%	N/A	\$ 744,340
R3C Insured deposits	N/A	0.01%	N/A	597,212
Cash on Deposit with Morgan County Treasurer	N/A	N/A	N/A	8,262
				<u>1,349,814</u>
Certificates of Deposit				
Farmers State Bank	N/A	0.45%	11/15/2021	209,912
Farmers State Bank	N/A	0.45%	1/22/2021	305,110
Farmers State Bank	N/A	0.45%	2/15/2021	210,602
Farmers State Bank	N/A	0.45%	3/17/2021	309,037
Farmers State Bank	N/A	0.20%	2/10/2021	207,753
Farmers State Bank	N/A	0.45%	5/16/2021	252,958
Farmers State Bank	N/A	0.45%	7/22/2021	305,798
Farmers State Bank	N/A	0.20%	9/17/2021	406,359
Farmers State Bank	N/A	0.20%	6/13/2021	250,628
Farmers State Bank	N/A	0.20%	3/10/2021	500,374
				<u>2,953,557</u>
Total Primary Government				
				<u>4,303,401</u>
East Morgan County Hospital Foundation - Component Unit				
Farmers State Bank	N/A	0.02%	N/A	67,533
Farmers State Bank	N/A	0.10%	N/A	22,593
R3C Capital Markets LLC	N/A	N/A	N/A	15
JPMorgan Money Market	N/A	N/A	N/A	13,955
Farmers State Bank	N/A	0.45%	3/5/2021	106,338
Farmers State Bank	N/A	0.20%	10/18/2021	52,538
Farmers State Bank	N/A	0.45%	1/10/2021	35,000
Farmers State Bank	N/A	0.20%	8/2/2021	50,681
Farmers State Bank	N/A	0.20%	6/21/2021	50,573
Farmers State Bank	N/A	0.20%	12/20/2021	43,534
				<u>136,567</u>
Outstanding Checks and Deposits (Net)				
				-
Total Component Unit				
				<u>136,567</u>
Total Reporting Entity Cash and Deposits				
				<u>\$ 4,441,968</u>
<b>INVESTMENTS</b>				
Morgan Stanley Bank	None	1.70%	2/22/2022	232,277
3M Bank of North America	None	2.90%	5/13/2021	121,311
Morgan Stanley Bank	None	3.00%	5/1/2021	177,138
Goldman Sachs Bank	None	1.25%	12/13/2021	101,053
Citibank National Association	None	2.55%	1/1/2022	185,655
				<u>618,683</u>
Total Primary Government				
East Morgan County Hospital Foundation - Component Unit				
Mutual Funds				
Capital World Bond Fund	None	Variable	N/A	30,149
Columbia Mid-Cap Value Fund	None	Variable	N/A	45,963
Credit Suisse Commodity Return Strategy Fund	None	Variable	N/A	15,928
Dodge & Cox Income Fund	None	Variable	N/A	43,280
Dodge & Cox International Stock Fund	None	Variable	N/A	28,614
Eaton Vance Income Fund of Boston	None	Variable	N/A	41,254
Franklin High Income Fund	None	Variable	N/A	25,207
Hartford Dividend & Growth Fund	None	Variable	N/A	55,105
JPMorgan Short Duration Bond Fund Select	None	Variable	N/A	126,977
Loomis Sayles Investment Grade	None	Variable	N/A	37,172
Metropolitan West Funds Total Return Bond Fd	None	Variable	N/A	59,150
MFS Growth Fund	None	Variable	N/A	55,022
MFS International Value Fund	None	Variable	N/A	52,758
MFS Value Fund	None	Variable	N/A	47,632
T Rowe Price Dividend Growth Fund	None	Variable	N/A	49,671
T Rowe Price Diversified Small Cap Growth Fund	None	Variable	N/A	53,773
T Rowe Price New Income Fund	None	Variable	N/A	45,297
Templeton Global Bond Fund	None	Variable	N/A	34,600
Thornburg International Value Fund	None	Variable	N/A	25,802
Voya Global Real Estate Fund	None	Variable	N/A	19,380
				<u>901,317</u>
Total Reporting Entity Investments				
				<u>\$ 4,723,903</u>

The accompanying notes and independent auditors' report should be read with these financial statements.