

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

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 29, 2021

# **Huerfano County Hospital District d/b/a Spanish Peaks Regional Health Center Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019**

## **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, 2020 and 2019. 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 2020 by \$7,581,878, or 104%, and increased in 2019 by \$2,175,923, or 42%.
- The District's net position increased in 2020 by \$5,107,922, or 36%, and increased in 2019 by \$3,283,809, or 30%.
- The District reported operating loss of \$863,273 in 2020 and a gain of \$2,113,898 in 2019.
- Net nonoperating revenues increased by \$4,701,334, or 402%, in 2020, and increased by \$594,643, or 103%, in 2019.

## **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  
Spanish Peaks Regional Health Center  
Management’s Discussion and Analysis (Unaudited)  
Years Ended December 31, 2020 and 2019**

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 \$5,107,922, or 36%, over 2019, and by \$3,283,809, or 30%, in 2019 over 2018, as shown in Table 1.

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>			
Cash and investments	\$ 14,907,355	\$ 7,325,477	\$ 5,149,554
Patient accounts receivable, net	2,099,936	2,688,041	2,701,431
Other current assets	2,520,228	1,850,640	1,798,146
Capital assets, net	<u>9,006,346</u>	<u>9,144,233</u>	<u>9,418,198</u>
Total assets	<u>\$ 28,533,865</u>	<u>\$ 21,008,391</u>	<u>\$ 19,067,329</u>
<b>Liabilities</b>			
Current and noncurrent liabilities	\$ 5,362,695	\$ 3,311,396	\$ 3,246,739
Long-term debt	<u>2,844,263</u>	<u>2,531,449</u>	<u>3,944,126</u>
Total liabilities	<u>8,206,958</u>	<u>5,842,845</u>	<u>7,190,865</u>
<b>Deferred Inflows - Deferred Property Tax Revenue</b>	<u>935,572</u>	<u>882,133</u>	<u>876,860</u>
Total liabilities and deferred inflows of resources	<u>9,142,530</u>	<u>6,724,978</u>	<u>8,067,725</u>

**Huerfano County Hospital District d/b/a  
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Management’s Discussion and Analysis (Unaudited)  
Years Ended December 31, 2020 and 2019**

**Table 1: Assets, Liabilities and Net Position (continued)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Net Position</b>			
Net investment in capital assets	6,050,529	5,896,193	4,796,014
Restricted expendable	1,823,574	1,820,880	1,800,075
Unrestricted	<u>11,517,232</u>	<u>6,566,340</u>	<u>4,403,515</u>
 Total net position	 <u>19,391,335</u>	 <u>14,283,413</u>	 <u>10,999,604</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 28,533,865</u>	 <u>\$ 21,008,391</u>	 <u>\$ 19,067,329</u>

Cash increased in 2020 by approximately \$7,519,000. Increased largely caused by the receipt of COVID-19 relief funds. The District received approximately \$8,087,000 of CARES Act Provider Relief Fund distributions and Paycheck Protection Program loan funds during 2020 (see note 15). Increase offset by net cash used in operating activities of approximately \$466,000. The increase in cash in 2019 from 2018 of approximately \$2,056,000 was due to the increased Property Tax Levy, staffing changes, cost reductions and increased net patient service revenue.

Liabilities also increased in 2020 by approximately \$2,364,000. Increase is a result of new debt related to the Payroll Protection Program and a new CT capital lease. Increase of debt at year-end amounted to approximately \$2,970,000. Increase in debt was offset by a decrease of approximately \$610,00 in accrued expenses and other current liabilities due to the timing of payments. Liabilities decreased by approximately \$1,348,000 between 2018 and 2019. Decrease caused by continued payments toward outstanding debt obligations and no additions amounting to a total reduction of debt of approximately \$1,389,000.

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

In 2020, the District’s net position increased by \$5,107,922, compared to an increase of \$3,283,809 and \$225,392 in 2019 and 2020, 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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Management's Discussion and Analysis (Unaudited)  
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**Table 2: Operating Results and Changes in Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 23,832,428	\$ 26,381,473	\$ 25,564,940
Other operating revenue	2,214,071	2,687,917	2,463,383
Total operating revenues	<u>26,046,499</u>	<u>29,069,390</u>	<u>28,028,323</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	18,022,733	17,743,347	18,510,307
Purchased services and professional fees	3,222,046	3,497,119	3,645,435
Supplies and other	4,469,153	4,672,523	5,141,042
Depreciation	1,195,840	1,042,503	1,081,415
Total operating expenses	<u>26,909,772</u>	<u>26,955,492</u>	<u>28,378,199</u>
<b>Operating Gain (Loss)</b>	<u>(863,273)</u>	<u>2,113,898</u>	<u>(349,876)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	951,805	915,885	445,418
Investment income	38,232	40,642	6,237
Interest expense	(105,945)	(124,995)	(213,544)
Noncapital grants and gifts	4,982,971	339,144	337,086
Other nonoperating revenues and expenses, net	4,182	(765)	71
Total nonoperating revenues (expenses)	<u>5,871,245</u>	<u>1,169,911</u>	<u>575,268</u>
<b>Capital Grants and Gifts</b>	<u>99,950</u>	<u>-</u>	<u>-</u>
<b>Increase in Net Position</b>	<u>\$ 5,107,922</u>	<u>\$ 3,283,809</u>	<u>\$ 225,392</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:

- A decrease in net patient service revenue of \$2,549,045, or 10%, in 2020 and an increase in net patient service revenue of \$816,533, or 3%, in 2019.
  - 2020 – Year over year decrease in net patient service revenue is largely attributable to decreased volume due to the COVID-19 pandemic.
  - 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%.
- An increase in salaries and wages for the District's employees of \$279,386, or 2%, in 2020 and a decrease of \$766,960, or 4%, in 2019.
  - 2020 – 2020 – The increase is attributed to a merit adjustment of 2%, adjustments for the increased minimum wage and additional COVID-19 related pay.
  - 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.
- A decrease in purchased services and professional fees of \$275,073, or 8%, in 2020 and a decrease of \$148,316, or 4%, in 2019.
  - 2020 – The decrease is due to the continued decrease/elimination of agency staffing.
  - 2019 – The decrease is due to decrease/elimination of agency staffing.
- A decrease in supplies and other expense of \$203,370, or 4%, in 2020 and a decrease of \$468,519, or 9%, in 2019.
  - 2020 – This decrease is due primarily to the decreased census and patient visits as a result of the COVID-19 pandemic.
  - 2019 – This decrease is due primarily to the decreased census.

**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 2020 as compared to 2019. However, noncapital grants and gifts increased \$4,643,827 in 2020 as a result of various COVID-19 grants and CARES Act Provider Relief Fund distributions received and recognized during 2020.

Nonoperating revenues and expenses 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 2020, 2019 and 2018, discussed earlier.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of 2020, the District had \$9,006,346 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. In 2020, the District purchased a Philips CT Scanner, Fisher Scientific lab analyzer, Fisher-Phoenix bacteria analyzer, as well as multiple smaller assets to include computer equipment.

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, 2020, the District had \$6,218,084 in notes payable and capital lease obligations. The increase in debt is due mainly to the Payroll Protection Loan which was forgiven subsequent to December 31, 2020.

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.

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
Management's Discussion and Analysis (Unaudited)  
Years Ended December 31, 2020 and 2019**

**Other Economic Factors**

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The District is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

**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, 2020 and 2019**

**Assets**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 10,510,372	\$ 2,991,250
Cash held for residents	153,523	71,166
Patient accounts receivable, net of allowance for uncollectible accounts; 2020 - \$178,243 and 2019 - \$215,054	2,099,936	2,688,041
Property taxes receivable	944,820	892,897
Estimated third-party payer settlements	737,609	-
Supplies	545,773	453,551
Other current assets	292,026	504,192
Total current assets	15,284,059	7,601,097
<b>Noncurrent Cash and Investments</b>		
Internally designated	2,419,886	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	53,370	50,676
Total noncurrent cash and investments	4,243,460	4,263,061
<b>Capital Assets, Net</b>	9,006,346	9,144,233
Total assets	\$ 28,533,865	\$ 21,008,391

**Huerfano County District Hospital  
d/b/a Spanish Peaks Regional Health Center  
Statements of Net Position (continued)  
December 31, 2020 and 2019**

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

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 497,754	\$ 578,855
Accrued expenses and other current liabilities	1,163,640	1,773,261
Current maturities of long-term debt	3,373,821	710,243
Estimated third-party payer settlements	-	171,730
Unearned revenue	173,957	-
Deposits from residents	153,523	77,307
	<hr/>	<hr/>
Total current liabilities	5,362,695	3,311,396
<b>Line of Credit</b>	-	2,498
<b>Long-term Debt</b>	<hr/>	<hr/>
Total liabilities	2,844,263	2,528,951
	<hr/>	<hr/>
Total liabilities	8,206,958	5,842,845
	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>		
Deferred property tax revenues	935,572	882,133
	<hr/>	<hr/>
Total liabilities and deferred inflows of resources	9,142,530	6,724,978
	<hr/>	<hr/>
<b>Net Position</b>		
Net investment in capital assets	6,050,529	5,896,193
Restricted expendable	1,823,574	1,820,880
Unrestricted	11,517,232	6,566,340
	<hr/>	<hr/>
Total net position	19,391,335	14,283,413
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 28,533,865</u>	<u>\$ 21,008,391</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$417,333 and 2019 - \$438,437	\$ 23,832,428	\$ 26,381,473
Other operating revenue	<u>2,214,071</u>	<u>2,687,917</u>
Total operating revenues	<u>26,046,499</u>	<u>29,069,390</u>
<b>Operating Expenses</b>		
Salaries, wages and employee benefits	18,022,733	17,743,347
Purchased services and professional fees	3,222,046	3,497,119
Supplies and other	4,469,153	4,672,523
Depreciation	<u>1,195,840</u>	<u>1,042,503</u>
Total operating expenses	<u>26,909,772</u>	<u>26,955,492</u>
<b>Operating Income (Loss)</b>	<u>(863,273)</u>	<u>2,113,898</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	951,805	915,885
Investment income	38,232	40,642
Interest expense	(105,945)	(124,995)
Noncapital grants and gifts	4,982,971	339,144
Other	<u>4,182</u>	<u>(765)</u>
Total nonoperating revenues (expenses)	<u>5,871,245</u>	<u>1,169,911</u>
<b>Income Before Capital Grants and Gifts</b>	5,007,972	3,283,809
<b>Capital Grants and Gifts</b>	<u>99,950</u>	<u>-</u>
<b>Increase in Net Position</b>	5,107,922	3,283,809
<b>Net Position, Beginning of Year</b>	<u>14,283,413</u>	<u>10,999,604</u>
<b>Net Position, End of Year</b>	<u>\$ 19,391,335</u>	<u>\$ 14,283,413</u>

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

## Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 23,511,194	\$ 26,479,523
Payments to suppliers and contractors	(7,858,174)	(8,224,875)
Payments to employees	(18,626,355)	(17,681,567)
Other receipts, net	2,507,449	2,639,387
Net cash provided by (used in) operating activities	(465,886)	3,212,468
<b>Noncapital Financing Activities</b>		
Property taxes supporting operations	953,321	905,121
Noncapital grants and gifts	5,156,928	339,144
Borrowings on line of credit	-	2,498
Payments on line of credit	(2,498)	(707,414)
Other	4,182	(765)
Net cash provided by noncapital financing activities	6,111,933	538,584
<b>Capital and Related Financing Activities</b>		
Grants and contributions restricted for capital assets	99,950	-
Proceeds from the issuance of long-term debt	3,262,268	-
Principal paid on long-term debt and capital leases	(717,214)	(675,576)
Interest paid	(116,940)	(178,005)
Purchase of capital assets	(630,465)	(762,190)
Net cash provided by (used in) capital and related financing activities	1,897,599	(1,615,771)
<b>Investing Activities</b>		
Investment income	38,232	40,642
Purchase of investments	(400,000)	(2,090,000)
Proceeds from maturities of investments	431,061	2,290,000
Net cash provided by investing activities	69,293	240,642
<b>Increase in Cash and Cash Equivalents</b>	7,612,939	2,375,923
<b>Cash and Cash Equivalents, Beginning of Year</b>	5,235,477	2,859,554
<b>Cash and Cash Equivalents, End of Year</b>	\$ 12,848,416	\$ 5,235,477

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

## Statements of Cash Flows (continued) Years Ended December 31, 2020 and 2019

	2020	2019
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b>		
Cash and cash equivalents in current assets	\$ 10,510,372	\$ 2,991,250
Cash held for residents	153,523	71,166
Cash and cash equivalents in noncurrent cash and investments		
Held by Colorado State Treasurer	270,204	270,204
Cash restricted by donors	53,370	50,676
Internally designated	1,860,947	1,852,181
Total cash and cash equivalents	\$ 12,848,416	\$ 5,235,477
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (863,273)	\$ 2,113,898
Depreciation	1,195,840	1,042,503
Provision for uncollectible accounts	417,333	438,437
Changes in operating assets and liabilities		
Patient accounts receivable	170,772	(425,047)
Estimated amounts due from and to third-party payers	(909,339)	84,660
Accounts payable and other current liabilities	(770,597)	(14,103)
Other assets and liabilities	293,378	(27,880)
Net cash provided by (used in) operating activities	\$ (465,886)	\$ 3,212,468
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital lease obligations incurred for capital assets	\$ 433,836	\$ -
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, 2020 and 2019

### 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, 2020 and 2019

### ***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, 2020 and 2019, cash equivalents consisted primarily of certificates of deposit.

### ***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.

### ***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:

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

## Notes to Financial Statements December 31, 2020 and 2019

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

### ***Capital and Lease Asset Impairment***

The District evaluates capital and lease 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, 2020 and 2019.

### ***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.

### ***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.

### ***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.

### ***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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

- 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 \$427,789 and \$43,534 in 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

### ***Property Taxes***

The District received approximately 3% and 3% of its financial support from property taxes in 2020 and 2019, 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.

### ***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, 2020 and 2019

### ***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.

### **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 74% and 70% of net patient service revenue are from participation in the Medicare and Medicaid programs for the years ended December 31, 2020 and 2019, 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, 2020 and 2019

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>2020</b>	<b>2019</b>
CHASE supplemental payments included in patient service revenue	\$ 2,843,128	\$ 3,006,109
CHASE fee expense	(437,177)	(469,144)
Effect of SB 17-267	\$ 2,405,951	\$ 2,536,965

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, 2020 and 2019 consisted of:

	<b>2020</b>	<b>2019</b>
Medicare	\$ 1,258,081	\$ 1,189,647
Medicaid	465,926	922,613
Other third-party payers	974,201	1,638,177
Patients	538,766	699,775
	3,236,974	4,450,212
Less allowance for contractals and uncollectible accounts	(1,137,038)	(1,762,171)
	\$ 2,099,936	\$ 2,688,041

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

## Notes to Financial Statements December 31, 2020 and 2019

### 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, 2020 and 2019, \$12,413,500 and \$4,980,918, respectively, of the District's bank balances of \$13,651,743 and \$5,901,860, respectively, were exposed to custodial credit risk as follows:

	<b>2020</b>	<b>2019</b>
Insured (FDIC) or collateralized with securities held by the District	\$ 1,238,243	\$ 920,942
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the District's name	12,143,296	4,710,714
Held by Colorado State Treasurer	270,204	270,204
	<b>\$ 13,651,743</b>	<b>\$ 5,901,860</b>

#### *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.

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

## Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019, the District’s only investments consist of money market accounts, certificates of deposit, and the U.S. Treasury note discussed above.

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, 2020 and 2019 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, 2020.

### Summary of Carrying Values

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

	<b>2020</b>	<b>2019</b>
Carrying value		
Bank deposits	\$ 12,573,917	\$ 4,960,978
U.S. Treasury note	1,500,000	1,500,000
Certificates of Deposit	558,939	590,000
On deposit with Colorado State Treasurer	270,204	270,204
Cash on hand	4,295	4,295
	<b>\$ 14,907,355</b>	<b>\$ 7,325,477</b>
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 10,510,372	\$ 2,991,250
Restricted cash	153,523	71,166
Noncurrent cash and investments:		
Internally designated	2,419,886	2,442,181
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	53,370	50,676
	<b>\$ 14,907,355</b>	<b>\$ 7,325,477</b>

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

## Notes to Financial Statements December 31, 2020 and 2019

### Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2020 and 2019 were:

	<b>2020</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 17,633	\$ -	\$ -	\$ -	\$ 17,633
Buildings and leasehold improvements	22,216,611	41,599	-	5,929	22,264,139
Equipment	11,101,521	964,010	-	-	12,065,531
Construction in progress	88,220	52,344	-	(5,929)	134,635
	<u>33,423,985</u>	<u>1,057,953</u>	<u>-</u>	<u>-</u>	<u>34,481,938</u>
Less accumulated depreciation					
Buildings and leasehold improvements	14,916,903	571,576	-	-	15,488,479
Equipment	9,362,849	624,264	-	-	9,987,113
	<u>24,279,752</u>	<u>1,195,840</u>	<u>-</u>	<u>-</u>	<u>25,475,592</u>
Capital assets, net	<u>\$ 9,144,233</u>	<u>\$ (137,887)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,006,346</u>
	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
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>

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

## Notes to Financial Statements December 31, 2020 and 2019

### 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 October 3, 2021. 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:

		<b>2020</b>			
		<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Lines of credit	Line of credit with financial institution	\$ 2,498	\$ -	\$ (2,498)	\$ -
		<b>2019</b>			
		<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Lines of credit	Line of credit with financial institution	\$ 707,414	\$ 2,498	\$ (707,414)	\$ 2,498

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

## Notes to Financial Statements December 31, 2020 and 2019

### Note 7: Long-term Obligations

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

	2020				Amounts Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-term debt					
Notes payable to banks	\$ 1,775,381	\$ -	\$ (195,523)	\$ 1,579,858	\$ 174,734
Paycheck Protection Program loan	-	3,262,267	-	3,262,267	2,535,328
Notes payable to medical center	986,259	-	(327,989)	658,270	404,192
Capital lease obligations	477,554	433,837	(193,702)	717,689	259,567
Total long-term obligations	<u>\$ 3,239,194</u>	<u>\$ 3,696,104</u>	<u>\$ (717,214)</u>	<u>\$ 6,218,084</u>	<u>\$ 3,373,821</u>
	2019				Amounts Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
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	656,123	-	(178,569)	477,554	170,017
Total long-term obligations	<u>\$ 3,914,770</u>	<u>\$ -</u>	<u>\$ (675,576)</u>	<u>\$ 3,239,194</u>	<u>\$ 710,243</u>

### Notes Payable to Bank

The District has a note payable to bank with an outstanding balance of \$112,679 and \$134,523 as of December 31, 2020 and 2019, 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, 2020 and 2019, borrowings under the note totaled \$1,467,179 and \$1,640,858, 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, 2020. 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, 2020 and 2019

### **Paycheck Protection Program (PPP) Loan**

The CARES Act and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of \$3,262,267 in April of 2020. The loan has an interest rate of 1%, with monthly payments of \$183,571 due monthly starting seven months after the receipt of the loan. The loan, if not forgiven, matures on April 5, 2022.

The Hospital is accounting for the PPP loan in accordance with GASB Statement 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheet as long-term debt in accordance with the term of the PPP loan agreement.

The District received legal notice that the PPP loan was forgiven subsequent to December 31, 2020 (see Note 17).

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

The District has a note payable to a medical center with an outstanding balance of \$658,270 and \$986,259 as of December 31, 2020 and 2019, 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.

The District received notice that the note payable was forgiven subsequent to December 31, 2020 (see Note 17).

The debt service requirements as of December 31, 2020 are as follows:

<b>Year Ending December 31,</b>	<b>Total to be Paid</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 3,222,396	\$ 3,114,254	\$ 108,142
2022	1,312,217	1,245,268	66,949
2023	222,893	180,427	42,466
2024	222,893	187,778	35,115
2025	222,893	195,428	27,465
2026-2027	606,679	577,240	29,439
	<u>\$ 5,809,971</u>	<u>\$ 5,500,395</u>	<u>\$ 309,576</u>

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

## Notes to Financial Statements December 31, 2020 and 2019

### **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, 2020 and 2019, totaled \$2,571,582 and \$2,137,746, net of accumulated depreciation of \$1,456,323 and \$1,268,927, respectively. The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 1.745% to 3.88% together with the present value of the future minimum lease payments as of December 31, 2020:

<b>Year Ending December 31,</b>	
2021	\$ 273,072
2022	224,730
2023	87,853
2024	90,696
2025	68,021
Total minimum lease payments	744,372
Less amount representing interest	26,683
Present value of future minimum lease payments	\$ 717,689

### **Note 8: Restricted Net Position**

At December 31, 2020 and 2019, restricted expendable net position were available for the following purposes:

	<b>2020</b>	<b>2019</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	270,204
Resident needs, including capital acquisitions	53,370	50,676
Total restricted expendable net position	\$ 1,823,574	\$ 1,820,880

At December 31, 2020 and 2019, \$2,419,886 and \$2,442,181, 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.

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

## Notes to Financial Statements December 31, 2020 and 2019

### 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, 2020, were:

2021	\$	84,463
2022		44,993
2023		37,728
2024		<u>34,806</u>
Future minimum lease payments	\$	<u>201,990</u>

Lease expense for all operating leases for the years ended December 31, 2020 and 2019 totaled \$91,597 and \$107,343, respectively.

### 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 5.49% and 1.58% for 2020 and 4.58% and 1.65% for 2019, respectively. Contributions actually made by plan members and made or accrued by the District aggregated \$833,551 and \$239,426 during 2020 and \$618,714 and \$222,139 during 2019, respectively.

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

## Notes to Financial Statements December 31, 2020 and 2019

### **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 at December 31, 2020 and 2019, and is included in noncurrent cash and investments (see Note 4). Accordingly, the District had net borrowings from the account of \$389,796 at December 31, 2020 and 2019. 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, 2020 and 2019, such grant revenue totaled \$1,850,262 and \$2,075,076, respectively, and is recorded as other operating revenue in the accompanying financial statements.

### **Note 13: Medical Malpractice Claims and Contingencies**

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

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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### 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: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments re-imposed certain restrictions due to increasing rates of COVID-19 cases prior to the widespread availability of a vaccine.

The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including the following:

- Implementation of targeted cost reduction initiatives;
- Re-evaluation of certain planned projects and capital expenditures;

In addition, the District received approximately \$4,824,000 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in

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

## Notes to Financial Statements

December 31, 2020 and 2019

patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

### ***Provider Relief Fund***

During the year ended December 31, 2020, the District received \$4,824,282 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The District is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through December 31, 2020, the District recognized \$4,650,325, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – noncapital grants and gifts in our statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as part of unearned revenue in the accompanying statements of net position.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions the District's ability to retain some or all of the distributions received may be affected.

Additionally, the amounts recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

### ***Paycheck Protection Program (PPP) Loan***

The CARES Act and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of \$3,262,267 in April of 2020. The loan has an interest rate of 1%, with monthly payments of

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

## Notes to Financial Statements December 31, 2020 and 2019

\$183,571 due monthly starting seven months after the receipt of the loan. The loan, if not forgiven, matures on April 5, 2022.

The Hospital is accounting for the PPP loan in accordance with GASB Statement 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying statements of net position as long-term debt in accordance with the term of the PPP loan agreement. See Note 7 for additional information.

The District received legal notice that the PPP loan was forgiven subsequent to December 31, 2020 (see Note 17).

### 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, 2020 and 2019:

	<b>December 31, 2020</b>				<b>Totals</b>
	<b>District</b>	<b>Hospital</b>	<b>Nursing Home</b>	<b>Eliminations</b>	
<b>Assets</b>					
Current assets	\$ 4,963,112	\$ 11,570,990	\$ 4,028,545	\$ (5,278,588)	\$ 15,284,059
Noncurrent cash and investments	4,190,090	-	53,370	-	4,243,460
Capital assets, net	<u>-</u>	<u>5,919,094</u>	<u>3,087,252</u>	<u>-</u>	<u>9,006,346</u>
Total assets	<u>\$ 9,153,202</u>	<u>\$ 17,490,084</u>	<u>\$ 7,169,167</u>	<u>\$ (5,278,588)</u>	<u>\$ 28,533,865</u>
<b>Liabilities</b>					
Current liabilities	\$ -	\$ 10,212,527	\$ 428,756	\$ (5,278,588)	\$ 5,362,695
Long-term liabilities	<u>-</u>	<u>2,746,930</u>	<u>97,333</u>	<u>-</u>	<u>2,844,263</u>
Total liabilities	<u>-</u>	<u>12,959,457</u>	<u>526,089</u>	<u>(5,278,588)</u>	<u>8,206,958</u>
<b>Deferred Inflows of Resources</b>	<u>935,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>935,572</u>
<b>Net Position</b>					
Net investment in capital assets	-	3,155,547	2,894,982	-	6,050,529
Restricted	1,770,204	-	53,370	-	1,823,574
Unrestricted	<u>6,447,426</u>	<u>1,375,080</u>	<u>3,694,726</u>	<u>-</u>	<u>11,517,232</u>
Total net position	<u>8,217,630</u>	<u>4,530,627</u>	<u>6,643,078</u>	<u>-</u>	<u>19,391,335</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,153,202</u>	<u>\$ 17,490,084</u>	<u>\$ 7,169,167</u>	<u>\$ (5,278,588)</u>	<u>\$ 28,533,865</u>

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

## Notes to Financial Statements December 31, 2020 and 2019

	December 31, 2019				Totals
	District	Hospital	Nursing Home	Eliminations	
<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>

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

## Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019.

	Year Ended December 31, 2020				
	District	Hospital	Nursing Home	Eliminations	Totals
<b>Operating Revenues</b>					
Net patient service revenue	\$ -	\$ 15,048,973	\$ 8,783,455	\$ -	\$ 23,832,428
Other operating revenue	-	363,809	1,850,262	-	2,214,071
Total operating revenues	-	15,412,782	10,633,717	-	26,046,499
<b>Operating Expenses</b>					
Depreciation	-	872,931	322,909	-	1,195,840
Other operating expenses	37,473	15,861,366	9,815,093	-	25,713,932
Total operating expenses	37,473	16,734,297	10,138,002	-	26,909,772
<b>Operating Income (Loss)</b>	(37,473)	(1,321,515)	495,715	-	(863,273)
<b>Nonoperating Revenues, Net</b>	989,033	4,172,801	709,411	-	5,871,245
<b>Income Before Capital Grants and Gifts and Transfers</b>	951,560	2,851,286	1,205,126	-	5,007,972
<b>Capital Grants and Gifts and Transfers</b>					
Capital grants and gifts	-	99,950	-	-	99,950
Transfers	(977,436)	977,436	-	-	-
Total capital grants and gifts and transfers	(977,436)	1,077,386	-	-	99,950
<b>Change in Net Position</b>	(25,876)	3,928,672	1,205,126	-	5,107,922
<b>Net Position, Beginning of Year</b>	8,243,506	601,955	5,437,952	-	14,283,413
<b>Net Position, End of Year</b>	\$ 8,217,630	\$ 4,530,627	\$ 6,643,078	\$ -	\$ 19,391,335

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

## Notes to Financial Statements December 31, 2020 and 2019

	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>	\$ 8,243,506	\$ 601,955	\$ 5,437,952	\$ -	\$ 14,283,413

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, 2020 and 2019.

	Year Ended December 31, 2020			
	District	Hospital	Nursing Home	Total
Net cash provided by (used in)				
Operating activities	\$ (35,406)	\$ (1,133,921)	\$ 703,441	\$ (465,886)
Noncapital financing activities	(25,119)	6,035,571	101,481	6,111,933
Capital and related financing activities	-	2,087,804	(190,205)	1,897,599
Investing activities	69,293	-	-	69,293
Increase in cash and cash equivalents	8,768	6,989,454	614,717	7,612,939
Cash and cash equivalents, beginning of year	2,123,891	1,462,033	1,649,553	5,235,477
Cash and cash equivalents, end of year	\$ 2,132,659	\$ 8,451,487	\$ 2,264,270	\$ 12,848,416
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b>				
Cash and cash equivalents in current assets	\$ 1,508	\$ 8,451,487	\$ 2,057,377	\$ 10,510,372
Cash held for residents	-	-	153,523	153,523
Cash and cash equivalents in noncurrent cash and investments				
Held by Colorado State Treasurer	270,204	-	-	270,204
Cash restricted by donors	-	-	53,370	53,370
Internally designated	1,860,947	-	-	1,860,947
Total cash and cash equivalents	\$ 2,132,659	\$ 8,451,487	\$ 2,264,270	\$ 12,848,416

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

## Notes to Financial Statements December 31, 2020 and 2019

	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
Increase in cash and cash equivalents	322,551	637,608	1,415,764	2,375,923
Cash and cash equivalents, beginning of year	1,801,340	824,425	233,789	2,859,554
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>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b>				
Cash and cash equivalents in current assets	\$ 1,506	\$ 1,462,033	\$ 1,527,711	\$ 2,991,250
Cash held for residents	-	-	71,166	71,166
Cash and cash equivalents in noncurrent cash and investments				
Held by Colorado State Treasurer	270,204	-	-	270,204
Cash restricted by donors	-	-	50,676	50,676
Internally designated	1,852,181	-	-	1,852,181
Total cash and cash equivalents	<u>\$ 2,123,891</u>	<u>\$ 1,462,033</u>	<u>\$ 1,649,553</u>	<u>\$ 5,235,477</u>

### Note 17: Subsequent Events

In August of 2021, the District received legal notice that the PPP loan was forgiven in the amount of \$3,262,267 and recognized the gain from extinguishment in fiscal year 2021.

The District received notice that the note payable to the medical center (see Note 7) was forgiven as of August 31, 2021. Total principal remaining as of August 31, 2021 amounted to \$380,463 and the District recognized the gain from extinguishment in fiscal year 2021.

Subsequent events have been evaluated through September 29, 2021, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center**  
**Combining Statement of Net Position**  
**December 31, 2020**

**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	\$ 1,508	\$ 8,451,487	\$ 2,057,377	\$ -	\$ 10,510,372
Cash held for residents	-	-	153,523	-	153,523
Patient accounts receivable, net of allowance of \$178,243	-	1,648,264	451,672	-	2,099,936
Property taxes receivable	944,820	-	-	-	944,820
Estimated third-party payer settlements	-	737,609	-	-	737,609
Due from affiliates	4,016,784	-	1,261,804	(5,278,588)	-
Supplies	-	545,773	-	-	545,773
Other current assets	-	187,857	104,169	-	292,026
Total current assets	<u>4,963,112</u>	<u>11,570,990</u>	<u>4,028,545</u>	<u>(5,278,588)</u>	<u>15,284,059</u>
<b>Noncurrent Cash and Investments</b>					
Internally designated	2,419,886	-	-	-	2,419,886
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	-	-	53,370	-	53,370
Total noncurrent cash and investments	<u>4,190,090</u>	<u>-</u>	<u>53,370</u>	<u>-</u>	<u>4,243,460</u>
<b>Capital Assets, Net</b>	<u>-</u>	<u>5,919,094</u>	<u>3,087,252</u>	<u>-</u>	<u>9,006,346</u>
Total assets	<u>\$ 9,153,202</u>	<u>\$ 17,490,084</u>	<u>\$ 7,169,167</u>	<u>\$ (5,278,588)</u>	<u>\$ 28,533,865</u>

**Huerfano County Hospital District d/b/a  
Spanish Peaks Regional Health Center  
Combining Statement of Net Position (continued)  
December 31, 2020**

**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	\$ -	\$ 491,415	\$ 6,339	\$ -	\$ 497,754
Accrued expenses and other current liabilities	-	1,163,640	-	-	1,163,640
Current maturities of long-term debt	-	3,278,884	94,937	-	3,373,821
Unearned revenue	-	-	173,957	-	173,957
Due to affiliates	-	5,278,588	-	(5,278,588)	-
Deposits from residents	-	-	153,523	-	153,523
Total current liabilities	-	10,212,527	428,756	(5,278,588)	5,362,695
<b>Long-term Debt</b>	-	2,746,930	97,333	-	2,844,263
Total liabilities	-	12,959,457	526,089	(5,278,588)	8,206,958
<b>Deferred Inflows of Resources</b>					
Deferred property tax revenues	935,572	-	-	-	935,572
Total liabilities and deferred inflows of resources	935,572	12,959,457	526,089	(5,278,588)	9,142,530
<b>Net Position</b>					
Net investment in capital assets	-	3,155,547	2,894,982	-	6,050,529
Restricted expendable	1,770,204	-	53,370	-	1,823,574
Unrestricted	6,447,426	1,375,080	3,694,726	-	11,517,232
Total net position	8,217,630	4,530,627	6,643,078	-	19,391,335
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,153,202</u>	<u>\$ 17,490,084</u>	<u>\$ 7,169,167</u>	<u>\$ (5,278,588)</u>	<u>\$ 28,533,865</u>

# 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
<b>Total current assets</b>	<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>
<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
<b>Total noncurrent cash and investments</b>	<u>4,212,385</u>	<u>-</u>	<u>50,676</u>	<u>-</u>	<u>4,263,061</u>
<b>Capital Assets, Net</b>	<u>-</u>	<u>5,831,677</u>	<u>3,312,556</u>	<u>-</u>	<u>9,144,233</u>
<b>Total assets</b>	<u><u>\$ 9,125,639</u></u>	<u><u>\$ 10,078,666</u></u>	<u><u>\$ 5,820,870</u></u>	<u><u>\$ (4,016,784)</u></u>	<u><u>\$ 21,008,391</u></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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	-	7,137,532	190,648	(4,016,784)	3,311,396
<b>Line of Credit</b>	-	2,498	-	-	2,498
<b>Long-term Debt</b>	-	2,336,681	192,270	-	2,528,951
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	9,476,711	382,918	(4,016,784)	5,842,845
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>					
Deferred property tax revenues	882,133	-	-	-	882,133
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows of resources	882,133	9,476,711	382,918	(4,016,784)	6,724,978
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<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
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Total net position	8,243,506	601,955	5,437,952	-	14,283,413
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<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 Revenues, Expenses and Changes in Net Position Year Ended December 31, 2020

	District	Hospital	Nursing Home	Eliminations	Totals
<b>Operating Revenues</b>					
Net patient service revenue, net of provision for uncollectible accounts of \$417,333	\$ -	\$ 15,048,973	\$ 8,783,455	\$ -	\$ 23,832,428
Other operating revenue	-	363,809	1,850,262	-	2,214,071
Total operating revenues	-	15,412,782	10,633,717	-	26,046,499
<b>Operating Expenses</b>					
Salaries, wages and employee benefits	-	10,857,680	7,165,053	-	18,022,733
Purchased services and professional fees	30,460	2,253,529	938,057	-	3,222,046
Supplies and other	7,013	2,750,157	1,711,983	-	4,469,153
Depreciation	-	872,931	322,909	-	1,195,840
Total operating expenses	37,473	16,734,297	10,138,002	-	26,909,772
<b>Operating Income (Loss)</b>	<b>(37,473)</b>	<b>(1,321,515)</b>	<b>495,715</b>	<b>-</b>	<b>(863,273)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	951,805	-	-	-	951,805
Investment income	38,232	-	-	-	38,232
Interest expense	-	(105,945)	-	-	(105,945)
Noncapital grants and gifts	-	4,278,746	704,225	-	4,982,971
Other	(1,004)	-	5,186	-	4,182
Total nonoperating revenues (expenses)	989,033	4,172,801	709,411	-	5,871,245
<b>Income Before Capital Grants and Gifts and Transfers</b>	<b>951,560</b>	<b>2,851,286</b>	<b>1,205,126</b>	<b>-</b>	<b>5,007,972</b>
<b>Capital Grants and Gifts and Transfers</b>					
Capital grants and gifts	-	99,950	-	-	99,950
Transfers	(977,436)	977,436	-	-	-
Total capital grants and gifts and transfers	(977,436)	1,077,386	-	-	99,950
<b>Increase (Decrease) in Net Position</b>	<b>(25,876)</b>	<b>3,928,672</b>	<b>1,205,126</b>	<b>-</b>	<b>5,107,922</b>
<b>Net Position, Beginning of Year</b>	<b>8,243,506</b>	<b>601,955</b>	<b>5,437,952</b>	<b>-</b>	<b>14,283,413</b>
<b>Net Position, End of Year</b>	<b>\$ 8,217,630</b>	<b>\$ 4,530,627</b>	<b>\$ 6,643,078</b>	<b>\$ -</b>	<b>\$ 19,391,335</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**

	<b>District</b>	<b>Hospital</b>	<b>Nursing Home</b>	<b>Eliminations</b>	<b>Totals</b>
<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>	<b>(117)</b>	<b>577,958</b>	<b>1,536,057</b>	<b>-</b>	<b>2,113,898</b>
<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>	<b>955,116</b>	<b>782,148</b>	<b>1,546,545</b>	<b>-</b>	<b>3,283,809</b>
<b>Transfers</b>	<b>(821,738)</b>	<b>1,194,799</b>	<b>(373,061)</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Position</b>	<b>133,378</b>	<b>1,976,947</b>	<b>1,173,484</b>	<b>-</b>	<b>3,283,809</b>
<b>Net Position, Beginning 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>
<b>Net Position, End of Year</b>	<b>\$ 8,243,506</b>	<b>\$ 601,955</b>	<b>\$ 5,437,952</b>	<b>\$ -</b>	<b>\$ 14,283,413</b>

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

## Budget and Actual Revenues and Expenses Year Ended December 31, 2020

	Actual	Budget	Favorable (Unfavorable) Variance
<b>Operating Revenues</b>			
Net patient service revenue	\$ 23,832,428	\$ 27,399,625	\$ (3,567,197)
Other operating revenue	2,214,071	2,484,305	(270,234)
	26,046,499	29,883,930	(3,837,431)
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	18,022,733	18,011,369	(11,364)
Other operating expenses	8,887,039	9,952,266	1,065,227
	26,909,772	27,963,635	1,053,863
<b>Operating Income (Loss)</b>	(863,273)	1,920,295	(2,783,568)
<b>Nonoperating Revenue, Net</b>	5,871,245	776,620	5,094,625
<b>Capital Grants and Gifts</b>	99,950	-	99,950
<b>Increase in Net Position</b>	\$ 5,107,922	\$ 2,696,915	\$ 2,411,007

### **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 2020.