

**SOUTH ROUTT MEDICAL CENTER
HEALTH SERVICES DISTRICT**

Financial Statements

December 31, 2020

**SOUTH ROUTT MEDICAL CENTER
HEALTH SERVICES DISTRICT**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the South Routt Medical Center Health Services District (the District), as of and for the year ended December 31, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Routt Medical Center Health Services District as of December 31, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2020. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information consisting of the schedule of revenues, expenditures and changes in fund balance – budget and actual on page 12 is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Catterson + Company, P.C.

Steamboat Springs, Colorado
April 15, 2021

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Net Position
December 31, 2020
(w with summarized financial information as of December 31, 2019)

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	\$ 156,855	\$ 51,467
Accounts receivable, net of allowance	12,863	28,005
Due from other government	3,249	2,071
Property taxes receivable	363,113	365,340
Total current assets	536,080	446,883
Noncurrent assets:		
Capital assets, net of accumulated depreciation	893,939	878,653
Total noncurrent assets	893,939	878,653
Total assets	1,430,019	1,325,536
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	21,228	10,693
Current portion of lease purchase obligation	28,830	27,624
Total current liabilities	50,058	38,317
Noncurrent liabilities:		
Lease purchase obligation, net of current portion	262,344	291,109
Total liabilities	312,402	329,426
Deferred Inflows of Resources:		
Deferred property taxes	363,113	365,340
Deferred inflows of resources	363,113	365,340
Net Position:		
Net investment in capital assets	602,765	559,920
Restricted for:		
Emergencies	21,649	20,939
Unrestricted	130,090	49,911
Total net position	\$ 754,504	\$ 630,770

See accompanying notes to financial statements.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020	2019
Operating Revenues:		
Patient services:		
Medical	\$ 476,463	\$ 553,669
Less: uncollectible accounts	(177,026)	(248,560)
Patient services, net of uncollectible accounts	299,437	305,109
Operating grants	90,379	35,275
Other income	31,898	25,880
Total operating revenues	421,714	366,264
Operating Expenses:		
Wages, contract labor and benefits	468,645	482,584
Professional fees	31,994	37,254
Laboratory	13,059	16,271
Medical supplies and equipment	75,476	44,004
Office	29,060	37,410
Insurance	11,155	10,543
Cleaning, repairs and maintenance	11,105	11,359
Utilities	15,865	18,757
Depreciation	30,145	29,136
Other	4,967	4,771
Total operating expenses	691,471	692,089
Income (loss) from operations	(269,757)	(325,825)
Nonoperating Revenues (Expenses):		
Taxes:		
Property	364,984	343,294
Specific ownership	23,541	22,945
Treasurer's fees	(10,997)	(10,309)
Capital grants	27,000	-
Interest income	1,765	723
Loss on sale of capital assets	-	(12,863)
Interest expense	(12,802)	(13,914)
Net nonoperating revenues	393,491	329,876
Change in net position	123,734	4,051
Net position, beginning of year	630,770	626,719
Net position, end of year	\$ 754,504	\$ 630,770

See accompanying notes to financial statements.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 314,579	\$ 304,339
Cash received from other sources	122,277	61,155
Cash payments to suppliers of goods or services	(184,581)	(182,042)
Cash payments to employees and contract labor	<u>(466,210)</u>	<u>(482,456)</u>
Net cash provided (used) by operating activities	<u>(213,935)</u>	<u>(299,004)</u>
Cash Flows From Non-Capital Financing Activities:		
Taxes received, net of collection fees	376,350	356,611
Repayment of advance from related party	<u>-</u>	<u>(15,000)</u>
Net cash provided by non-capital financing activities	<u>376,350</u>	<u>341,611</u>
Cash Flows From Capital and Related Financing Activities:		
Principal payments on long-term debt	(27,559)	(26,448)
Interest payments on long-term debt	(12,802)	(13,914)
Acquisition of capital assets	(45,431)	(1,557)
Proceeds from capital grants	27,000	-
Proceeds from sale of capital assets	<u>-</u>	<u>11,886</u>
Net cash provided (used) by capital and related financing activities	<u>(58,792)</u>	<u>(30,033)</u>
Cash Flows From Investing Activities:		
Interest received	<u>1,765</u>	<u>723</u>
Net cash provided by investing activities	<u>1,765</u>	<u>723</u>
Net change in cash and cash equivalents	105,388	13,297
Cash and cash equivalents, beginning of year	<u>51,467</u>	<u>38,170</u>
Cash and cash equivalents, end of year	<u><u>\$ 156,855</u></u>	<u><u>\$ 51,467</u></u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by Activities:		
Income (loss) from operations	\$ (269,757)	\$ (325,825)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	30,145	29,136
(Increase) decrease in:		
Accounts receivable, net	15,142	(770)
(Decrease) increase in:		
Accounts payable and accrued expenses	<u>10,535</u>	<u>(1,545)</u>
Net cash provided (used) by operating activities	<u><u>\$ (213,935)</u></u>	<u><u>\$ (299,004)</u></u>

See accompanying notes to financial statements.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of and for the year ended December 31, 2019)

Note 1: Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Cash and Cash Equivalents

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

Accounts Receivable, Net

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

As of December 31, 2020 and 2019, the District's net accounts receivable was as follows:

	2020	2019	
Accounts receivable	\$ 50,863	\$ 75,005	
Allowance for uncollectible accounts	(38,000)	(47,000)	
	\$ 12,863	\$ 28,005	

SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of and for the year ended December 31, 2019)

Note 1: Summary of Significant Accounting Policies (continued)

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

Capital Assets

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

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

	Years
Building	40
Building improvements	20
Equipment	5-10

Deferred Inflows of Resources

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

Operating and Nonoperating Revenues and Expenses

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

Property Taxes

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

Use of Estimates

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

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of and for the year ended December 31, 2019)

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

The District did not adopt any supplemental budget appropriations for the year ended December 31, 2020.

Compliance

The District's expenditures exceeded appropriations by \$65,022 for the year ended December 31, 2020. The excess expenditures were primarily for capital items and medical supplies that were funded with grants.

TABOR Amendment

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

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

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

TABOR also requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$21,649 of the December 31, 2020 fund balance for this purpose.

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

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

SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of and for the year ended December 31, 2019)

Note 3: Detailed Notes on the Fund

Deposits

The carrying amount of the District's deposits as of December 31, 2020 and 2019 was \$156,855 and \$51,467, respectively, and bank balances were \$158,055 and \$82,412, respectively. All of the bank balances as of December 31, 2020 and 2019 were covered by federal deposit insurance.

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

Capital Assets

Capital asset activity for the year ended December 31, 2020 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Other capital assets:				
Building	939,599	-	-	939,599
Building improvements	77,719	6,204	-	83,923
Equipment	22,444	39,227	-	61,671
Total other capital assets at cost	<u>1,039,762</u>	<u>45,431</u>	<u>-</u>	<u>1,085,193</u>
Less accumulated depreciation for:				
Building	(153,739)	(23,490)	-	(177,229)
Building improvements	(42,835)	(3,964)	-	(46,799)
Equipment	(18,535)	(2,691)	-	(21,226)
Total accumulated depreciation	<u>(215,109)</u>	<u>(30,145)</u>	<u>-</u>	<u>(245,254)</u>
Other capital assets, net	<u>824,653</u>	<u>15,286</u>	<u>-</u>	<u>839,939</u>
Business-type activities capital assets, net	<u>\$ 878,653</u>	<u>\$ 15,286</u>	<u>\$ -</u>	<u>\$ 893,939</u>

SOUTH ROUNTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of and for the year ended December 31, 2019)

Note 3: Detailed Notes on the Fund (continued)

Long-Term Liabilities

The District had the following long-term debt as of December 31, 2020:

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

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

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Lease purchase obligation	\$ 318,733	\$ -	\$ (27,559)	\$ 291,174	\$ 28,830
	<u>\$ 318,733</u>	<u>\$ -</u>	<u>\$ (27,559)</u>	<u>\$ 291,174</u>	<u>\$ 28,830</u>

Interest expense on the lease purchase obligation during the year ended December 31, 2020 was \$12,802.

Debt service requirements of the lease purchase obligation as of December 31, 2020, assuming future annual appropriation of lease purchase payments, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 28,830	\$ 11,532	\$ 40,362
2022	30,049	10,313	40,362
2023	31,320	9,042	40,362
2024	32,622	7,740	40,362
2025	34,025	6,337	40,362
2026-2029	<u>134,328</u>	<u>10,301</u>	<u>144,629</u>
Total	<u>\$ 291,174</u>	<u>\$ 55,265</u>	<u>\$ 346,439</u>

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2020
(with summarized financial information as of and for the year ended December 31, 2019)

Note 4: Other Information

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 employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Contingency

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

Subsequent Events

The District has evaluated subsequent events through April 15, 2021, the date these financial statements were available to be issued.

SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance
Revenues:			
Patient services:			
Medical	\$ 557,487	\$ 476,463	\$ (81,024)
Less: uncollectible accounts	(246,642)	(177,026)	69,616
Taxes:			
Property	365,340	364,984	(356)
Specific ownership	20,200	23,541	3,341
Rent	15,537	21,597	6,060
Grants	-	117,379	117,379
Interest	380	1,765	1,385
Other	1,000	10,301	9,301
Total revenues	713,302	839,004	125,702
Expenditures:			
Wages, contract labor and benefits	473,191	468,645	4,546
Professional fees	38,833	31,994	6,839
Laboratory	17,407	13,059	4,348
Medical supplies and equipment	46,838	75,476	(28,638)
Office	32,250	29,060	3,190
Insurance	10,754	11,155	(401)
Cleaning, repairs and maintenance	11,094	11,105	(11)
Utilities	19,239	15,865	3,374
Treasurer's fees	-	10,997	(10,997)
Other	12,487	4,967	7,520
Capital	-	45,431	(45,431)
Debt service:			
Principal	14,000	27,559	(13,559)
Interest	17,000	12,802	4,198
Total expenditures	693,093	758,115	(65,022)
Change in fund balance - non-US GAAP basis	20,209	80,889	<u>\$ 60,680</u>
Adjustments to US GAAP basis:			
Loan principal payments		27,559	
Depreciation		(30,145)	
Capitalized expenditures		45,431	
Change in fund balance - US GAAP basis		123,734	
Fund balance, beginning of year	630,770	630,770	
Fund balance, end of year	<u>\$ 650,979</u>	<u>\$ 754,504</u>	