

cPa DIXON, WALLER & CO., INC.

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SOUTHEAST COLORADO  
HOSPITAL DISTRICT

SPRINGFIELD, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2020

DIXON, WALLER & CO., INC.

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SOUTHEAST COLORADO

HOSPITAL DISTRICT

DECEMBER 31, 2020

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors  
Southeast Colorado Hospital District  
Springfield, CO 81073

We have audited the accompanying financial statements of the business-type activities of Southeast Colorado Hospital 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Southeast Colorado Hospital District as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof 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 on pages i through ix be presented to supplement the basic financial statements. Such 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. 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 audit 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.

*Dixon, Walker & Co., PC*

July 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

# **SOUTHEAST COLORADO HOSPITAL AND LONG TERM CARE CENTER**

373 East Tenth Avenue  
SPRINGFIELD, COLORADO 81073  
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## **SOUTHEAST COLORADO HOSPITAL DISTRICT Management's Discussion and Analysis and Financial Statements FY 2020**

The three purposes of this discussion of Southeast Colorado Hospital District's financial performance are:

- To provide a narrative explanation of financial statements allowing the community and all stakeholders to see the District through the eyes of management.
- To improve overall financial disclosure and provide the context within which financial statements should be analyzed.
- To provide information about the status, and potential variability, of the District's earnings and cash flow, so one can ascertain the likelihood past performance is indicative of future performance.

### **SUMMARY**

The District's Total Current Assets increased by \$ 1,614,445, or 27.7%. The increase was driven by an increase in prepaid and increase in cash and cash equivalents as well as an increase in third party receivables. Government provided entities relief funds to hospitals to prepare, prevent and respond to the Covid 19 epidemic. The district received a total of \$ 6,390,354 including government funding, private foundation, entity funds and Paycheck Protection loan to help cover the costs of the epidemic. The District has made progress with implementation of an accurate and timely accounts receivable monitoring procedure and providing direction to billing and collections personnel for bill submission and tracking. Recent changes in financial management practices resulted in effective billing and collections for 2020. Total assets increased 36.2%.

The Districts Total Liabilities increased by \$3,865,774 or 101.2%, driven by an increase in current long-term debt for Paycheck Protection Loan Program. The district received cash of \$2,099,999.70 but incurred the debt for the same. Loan forgiveness application was submitted and at the time of the audit we were waiting on approval. Forgiveness was approved on June 11, 2021. The change in liabilities was also driven by decrease in accounts payable and accrued expenses, and a decrease in third party payables. The result in Net Position was an increase of \$1,479,684.

Please see Table 1 for further details on the Statement of Net Position.

The District's total Operating Revenue had a total increase of 3.3%. It is important to note there was a \$190,971 or 1.2% increase in Hospital-based Net Patient Service Revenue, a \$111,504, or 9.9% decrease in Clinic Revenue, a \$ 34,619, or 6.5% increase in Home Health and Hospice Revenue. The district saw an increase in other operating revenue of \$ 452,577 or 274% increase due to addition of the 340 b pharmacy program.

The increase in revenue all district areas is due to increase in the daily rate for long term/alzheimers care. We saw a decrease in hospital services due to Covid 19 across all levels of care. Home Health did see a slight increase due to patients requesting care but not wanting to have services from the clinic or hospital.. The overall increase in these revenues due in part to increase in patients statistics from prior year. The District has recruited and has on staff now 3 physician providers and 2 mid-level providers for 83.3%% of the year.

Total Operating Expenses increase for the year by \$1,014,401 or 5.6%. There was \$323,482 or 2.6% increase in salaries and benefits, primarily due to decrease in self-funded health insurance benefits, during public health emergency we provided retention bonuses, pal time is paid out at the current rate of pay instead of at the accrued rate of pay and market adjustments to salaries to nursing staff.. There is a \$500,584 or 23% increase in contract services.

With contributions, tax revenue, and meaningful use incentive payments, a total of \$ 2,478,813 increase from 2019 was added to revenue resulting in an increase in net position (net loss) of \$ 1,479,684.

Please see Table 2 for further details on the Statement of Revenues, Expenses and Changes in Net Position.

**TABLE 1 - STATEMENT OF NET POSITION**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Total Current Assets	\$ 7,452,644	\$ 5,838,564
Total Noncurrent Cash and Investments	5,965,294	2,058,089
Total Capital Assets, Net	6,790,315	6,936,950
<b>Total Assets</b>	<b>20,208,253</b>	<b>14,833,603</b>
<b>Liabilities and Net Position</b>		
Total Current Liabilities	4,878,445	1,814,194
Long-Term Debt, Net of Current Maturities	2,808,906	2,007,383
<b>Total Liabilities</b>	<b>7,687,351</b>	<b>3,821,577</b>
Deferred Property Taxes	467,727	438,535
<b>Net Position</b>		
<b>Total Net Position</b>	<b>12,053,175</b>	<b>10,573,491</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 20,208,253</b>	<b>\$ 14,833,603</b>

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 are one indicator of whether financial health is improving or deteriorating.

**TABLE 2 - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	<u>2020</u>	<u>2019</u>
<u>Operating Revenues</u>		
Net Patient Rev (Net/Contractual Adjust of \$ 6,432,719 in 2018 and \$ 6,399,740 in 2017)	15,477,363	15,286,392
Clinic Revenue	1,010,997	1,122,501
Home Health, Hospice & Therapy Revenue	557,203	523,034
Other	617,258	164,681
<b><u>Total Operating Revenue</u></b>	<b><u>17,662,821</u></b>	<b><u>17,096,608</u></b>
<u>Operating Expenses</u>		
Salaries and Benefits	12,838,103	12,514,621
Medical and Other Supplies	1,279,235	1,153,754
Insurance	136,528	134,877
Contracted Services	2,676,669	2,176,085
Repairs and Maintenance	354,738	421,382
Utilities and Telephone	246,822	247,936
Depreciation and Amortization	738,305	761,529
Other Expenses	925,489	771,303
<b><u>Total Operating Expenses</u></b>	<b><u>19,195,889</u></b>	<b><u>18,181,488</u></b>
<b><u>Operating Income (Loss)</u></b>	<b><u>(1,533,068)</u></b>	<b><u>(1,084,880)</u></b>
<u>Nonoperating Revenues (Expenses)</u>		
Property Taxes	440,310	399,915
Specific Ownership Taxes	49,428	58,431
COVID Grant	1,966,278	0
Investment Income	17,084	33,351
Interest Expense	(65,883)	(74,774)
Noncapital Grants and Contributions	18,180	76,391
Other	156,321	207,433
<b><u>Total Nonoperating Revenues and Expenses</u></b>	<b><u>2,581,718</u></b>	<b><u>700,747</u></b>
<u>Excess of Revenues Over (Under) Expenses Before Capital Grants and Contributions</u>	1,048,649	(384,133)
<u>Capital Grants and Contributions</u>	431,034	408,296
<b><u>Increase (Decrease) in Net Position</u></b>	<b><u>1,479,683</u></b>	<b><u>24,163</u></b>
<u>Net Position, Beginning of Year</u>	10,573,491	10,549,328
<u>Net Position, End of Year</u>	12,053,175	10,573,491

### **Changes in Net Position**

In the previous year, the District reported an increase in Net Position of \$ 24,163 compared to this year's increase in Net Position of \$ 1,479,684. District's hospital operations were begun in 1969 as a special district hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents.

### **Non-operating Revenues and Expenses**

Non-operating revenues consist primarily of property taxes levied by the District, Grants and Provider Relief funds for Covid 19.. In 2002 the district was successful in raising their mill levy to 7 mills through a vote of the district voters.

### **Grants, Contributions, Endowments, and Capital Reimbursement**

The district receives both capital and operating grants from various federal, state and private institutions. The district received \$ 431,034 in Grants and Contributions in 2020. This is a increase of \$ 22,738 from 2019.

### **The Districts Cash Flows**

Changes in the Districts cash flows are consistent with changes in operating gains and non-operating revenues and expenses, discussed earlier, with a couple exceptions. Due to issues with the implementation and monitoring of accounts receivable, cash flow was higher than expected. We also had influx of Provider Relief Funds as well as other private entities that gave us funds to help prepare, prevent and respond to the pandemic.

### **Capital Asset and Debt Administration**

Capital Asset purchased included additions of Facility Wide Windows- \$161,996; Generators for LTC and Rural Health Clinic \$ \$ 264,705; Purchase of Neighboring property \$ 24,000; various other patient care equipment \$ 264,988. We have had expenses totaling \$ 115,280 in construction in progress for the Master Facility Plan.

## CAPITAL ASSETS

A schedule of changes in the District's capital assets for 2019 and 2018 follows:

	Balance Dec. 31, 2019	Additions	Retirements	Balance Dec. 31, 2020
Land	95,989	3,500	-	99,489
Land Improvements	94,721	18,298	-	113,019
Building & Improvements	9,056,051	207,009	-	9,263,060
Equipment	4,269,008	486,882	26,700	4,729,190
Construction in Progress	354,297	640,070	764,373	229,994
<u>Totals at Historical Cost</u>	<u>13,870,066</u>	<u>1,355,759</u>	<u>791,073</u>	<u>14,434,752</u>
Less Accumulated Depreciation for:				
Land Improvements	63,413	6,169		69,582
Building & Improvements	4,131,285	397,616		4,528,901
Equipment	2,738,418	334,520	26,984	3,045,955
<u>Total Accumulated Depreciation</u>	<u>6,933,116</u>	<u>738,305</u>	<u>26,984</u>	<u>7,644,437</u>
<u>Capital Assets, Net</u>	<u>6,936,950</u>	<u>617,454</u>	<u>764,089</u>	<u>6,790,315</u>

	Balance Dec 31, 2018	Additions	Retirements	Balance Dec 31, 2019
Land	95,989	-	-	95,989
Land Improvements	94,721			94,721
Construction in Progress	37,417	316,880		354,297
Building & Improvements	8,924,939	131,343	231	9,056,051
Equipment	3,993,263	801,063	525,318	4,269,008
<u>Totals at Historical Cost</u>	<u>13,146,339</u>	<u>1,249,286</u>	<u>525,549</u>	<u>13,870,066</u>
Less Accumulated Depreciation for:				
Land Improvements	58,616	4,797		63,413
Building & Improvements	3,743,785	387,721	231	4,131,285
Equipment	2,893,531	369,011	524,124	2,738,418
<u>Total Accumulated Depreciation</u>	<u>6,695,941</u>	<u>762,735</u>	<u>524,355</u>	<u>6,933,116</u>
<u>Capital Assets, Net</u>	<u>6,450,387</u>	<u>487,757</u>	<u>1,194</u>	<u>6,936,950</u>

## LONG-TERM DEBT

A schedule of changes in the Districts long term debt for 2018 and 2019 follows:

Changes in Debt	Balance 1-1-2019	Additions	Reductions	Balance 12/31/2018	Amounts due w/in 1 yr
Lease Purchase	2,342,852		344,123	1,998,729	344,080
Notes Payable	-	2,100,000	-	2,100,000	945,443
<u>Total Long Term Debt</u>	<u>2,342,852</u>	<u>2,100,000</u>	<u>344,123</u>	<u>4,098,729</u>	<u>1,289,523</u>

	Balance 1-1-2019	Additions	Reductions	Balance 12-31-19	Amounts due w/in 1 yr
Lease Purchase	2,403,562	270,953	331,663	2,342,852	335,469
<u>Total Long Term Debt</u>	<u>2,403,562</u>	<u>270,953</u>	<u>331,663</u>	<u>2,342,852</u>	<u>344,423</u>

Lease Purchase Agreements	2019	2020
1. Lease purchase agreement for the Lexmark copier Was executed on April 20, 2016. The original Amount was \$ 7177 with interest at 5.64% for 5 years with payments of \$ 138 monthly	1,988	409
2. Lease purchase agreement for the purchase of HVAC Equipment was executed on October 15, 2016 The original amount was \$ 2,775,301 with interest At 3.24% for 10 years with payments of \$ 27,110 monthly An additional principal payment of \$ 90,645 was made On December 28,2016	2,086,571	1,809,064
3. Lease purchase agreement for the purchase of copiers was executed November 10, 2017. The original amount was \$ 14,380 with interest at 9.55% for 5 years with payments of \$ 302.39 monthly	8,976	6,080
4. Lease purchase agreement for the purchase 16 slice CT was executed on May 1, 2019. The Original amount was for \$ 240,000 with 0% for 5 years with payments of \$ 4,000 monthly	208,000	160,000
5. Lease purchase agreement for the purpose of replacement Printers was executed on July 10, 2019. The original Amount was for \$ 30,953.33 with interest at 7.68% for 5 years with payment of \$ 622.86 monthly	28,363	22,876
Total lease purchase agreement	2,333,898	1,998,429

The District has entered into lease agreements for the acquisition of equipment. These lease purchase agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2020 and 2019:

Year	2020		
	Principal	Interest	Total
2021	344080	55967	400047
2022	353204	45825	399029
2023	360473	35533	396006
2024	335196	25073	360269
2025	325837	14695	340532
2026	279639	4134	283773
2027			
Total Minimum Lease Payts	1,998,429	181,227	2,179,656
Less: Amount Representing interest			181,227
Present Value of Future Minimum Lease Pymts			1,998,429

Year	2019		Total
	Principal	Interest	
2020	344423	65887	410310
2021	344080	55967	400047
2022	353204	45825	399029
2023	360473	35533	396006
2024	335196	25073	360269
2025	325837	14695	340532
2026	279639	4134	283773
2027			
Total Minimum Lease Payts	2342852	247114	2589966
Less: Amount Representing interest			247114
Present Value of Future Minimum Lease Pymts			2342852

### Notes Payable

The District entered into the SBA Paycheck Protection Plan with a note at the TBK Bank for the purpose of sustaining the current level of staff employment. The period for expenditure began February 15, 2020 and ended December 31, 2020.

The TBK Bank note was excuted on April 13, 2020 with an available principal amount of \$2,100,000 and an interest rate of 1.0%, maturing April 13, 2022.

Notes Payable Balance as of December 31, 2020 was \$2,100,000.

### **Other Economic Factors**

The Hospital District is located in a rural setting where a large portion of the local economy depends on Agriculture. The District is the largest employer in Baca County. Given the current economics of Agriculture, the District is susceptible to changes and fluctuations in agricultural production and its impact on the overall regional economy. The District's service area also manifests a predominantly elderly population. While this results in increasing demand for healthcare for the senior population, the long-term drawback is that there is no economic development creating local employment to retain younger people and families or attract others to the local area. The population trend indicates a continued decline over the next 5-10 years.

Another challenge to the Hospital District is the ongoing reduction in Medicare and Medicaid payments, which together make up 80%-85% of our business. Medicare is scheduled to reduce payments by 2% for 1 year beginning in January of 2013, and there are other reductions in Medicare and Medicaid payment to facilities and professional providers that may be implemented by federal or state government. The complete impact of federal health care reform is not fully understood at this time. While some uninsured individuals and families may have better access to health care insurance, the reimbursement for such health insurance coverage may not meet the financial requirements of the Hospital District.

**Contacting the District's Financial Management**

If you have questions about this report or need additional financial information, contact the District's Chief Financial Officer at Southeast Colorado Hospital, 373 East 10<sup>th</sup>, and Springfield, Co. 81073.

BASIC FINANCIAL STATEMENTS

SOUTHEAST COLORADO HOSPITAL DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	2,714,692	1,648,279
Investments	686,374	696,793
Property Tax Receivable	467,727	438,535
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$2,092,417 in 2020 and \$1,547,490 in 2019	2,495,010	2,483,376
Estimated Third Party Payor Settlements	586,670	205,211
Other Accounts Receivable	8,846	4,995
Prepaid Expenses	115,679	45,895
Supplies, at Lower of Cost (First-In, First-Out) or Market	<u>377,646</u>	<u>315,480</u>
<u>Total Current Assets</u>	<u>7,452,644</u>	<u>5,838,564</u>
<u>Noncurrent Cash and Investments:</u>		
Internally Designated for COVID Costs	3,461,055	-
Internally Designated for Capital Acquisitions	2,230,742	1,884,755
Internally Designated for Scholarships:		
Cash	20,914	14,180
Investment	75,098	73,951
Internally Designated for Health Insurance	162,244	71,865
Held in Trust for Residents	<u>15,241</u>	<u>13,338</u>
<u>Total Noncurrent Cash and Investments</u>	<u>5,965,294</u>	<u>2,058,089</u>
<u>Capital Assets</u>		
Land	99,489	95,989
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>6,690,826</u>	<u>6,840,961</u>
<u>Total Capital Assets, Net of Accumulated Depreciation</u>	<u>6,790,315</u>	<u>6,936,950</u>
<u>TOTAL ASSETS</u>	<u>20,208,253</u>	<u>14,833,603</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Lease Purchase Agreements	344,080	344,423
Paycheck Protection Program Loan	945,443	-
Accounts Payable and Accrued Expenses	1,167,694	1,381,634
Unearned Grant Payments	2,368,413	-
Estimated Third-Party Payor Settlements	37,689	87,601
Other Current Liabilities	<u>15,126</u>	<u>9,490</u>
<u>Total Current Liabilities</u>	<u>4,878,445</u>	<u>1,823,148</u>
<u>Long-Term Liabilities</u>		
Lease Purchase Agreements	1,654,349	1,998,429
Paycheck Protection Program Loan	<u>1,154,557</u>	-
<u>Total Long-Term Liabilities</u>	<u>2,808,906</u>	<u>1,998,429</u>
<u>TOTAL LIABILITIES</u>	<u>7,687,351</u>	<u>3,821,577</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Property Taxes	<u>467,727</u>	<u>438,535</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,791,886	4,594,098
Unrestricted	<u>7,261,289</u>	<u>5,979,393</u>
<u>TOTAL NET POSITION</u>	<u>12,053,175</u>	<u>10,573,491</u>

The accompanying notes are an integral part of these financial statements.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET POSITION  
Years Ended December 31, 2020 and 2019

	2020	2019
<u>OPERATING REVENUES</u>		
Net Patient Service Revenue (Net of Contractual Adjustments of \$6,902,795 in 2020 and \$6,933,578 in 2019)	15,477,363	15,286,392
Clinic Revenue	1,010,997	1,122,501
Home Health Hospice Care & Therapy Revenue	557,203	523,034
Other	617,258	164,681
<u>Total Operating Revenue</u>	<u>17,662,821</u>	<u>17,096,608</u>
<u>OPERATING EXPENSES</u>		
Salaries and Benefits	12,838,103	12,514,621
Medical and Other Supplies	1,279,235	1,153,754
Insurance	136,528	134,877
Contracted Services	2,676,669	2,176,085
Repairs and Maintenance	354,738	421,382
Utilities and Telephone	246,822	247,936
State Provider Tax	206,862	186,350
Depreciation and Amortization	738,305	761,529
Other Expenses	718,627	584,954
<u>Total Operating Expenses</u>	<u>19,195,889</u>	<u>18,181,488</u>
<u>Operating Income (Loss)</u>	<u>(1,533,068)</u>	<u>(1,084,880)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Property Taxes	440,310	399,915
Specific Ownership Tax	49,428	58,431
COVID Grant	1,966,278	-
Investment Income	17,084	33,351
Interest Expense	(65,883)	(74,774)
Insurance Proceeds	87,507	181,813
Noncapital Grants and Contributions	18,180	76,391
Gain (Loss) on Disposition of Fixed Assets	900	(1,194)
Other	67,914	26,814
<u>Total Nonoperating Revenues (Expenses)</u>	<u>2,581,718</u>	<u>700,747</u>
<u>EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE CAPITAL GRANTS, CONTRIBUTIONS AND REIMBURSEMENTS</u>	<u>1,048,650</u>	<u>(384,133)</u>
<u>CAPITAL GRANTS, CONTRIBUTIONS AND REIMBURSEMENTS</u>	<u>431,034</u>	<u>408,296</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	<u>1,479,684</u>	<u>24,163</u>
<u>NET POSITION, Beginning of Year</u>	<u>10,573,491</u>	<u>10,549,328</u>
<u>NET POSITION, End of Year</u>	<u>12,053,175</u>	<u>10,573,491</u>

The accompanying notes are an integral part of these financial statements.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
STATEMENT OF CASH FLOWS  
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts From and On Behalf of Patients	17,265,877	16,516,488
Payments to Suppliers and Contractors	(5,782,874)	(4,542,042)
Payments to Employees Salaries & Benefits	(13,064,876)	(12,362,345)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>(1,581,873)</u>	<u>(387,899)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Property Taxes	489,738	458,346
Noncapital Grants and Contributions	2,386,593	76,391
COVID Grant	1,966,278	-
Other Non Operating Revenues	155,421	208,627
<u>Net Cash Provided (Used) by Non-Capital Financing Activities</u>	<u>4,998,030</u>	<u>743,364</u>
<u>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</u>		
Capital Grants and Contributions	431,034	408,296
Proceeds from Sale of Fixed Assets	900	-
Debt Proceeds	2,100,000	270,953
Principal Paid on Long-Term Debt	(344,423)	(331,663)
Interest Paid on Long-Term Debt	(65,883)	(74,774)
Purchase of Capital Assets	(591,654)	(1,249,286)
Loss on Disposition of Capital Asset	(16)	-
<u>Net Cash Provided (Used) by Capital and Related Financing Activities</u>	<u>1,529,958</u>	<u>(976,474)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and Dividends on Investments	17,084	33,351
Purchases of Investments	9,272	(13,086)
Proceeds from Sale of Investments	-	-
<u>Net Cash Provided by Investing Activities</u>	<u>26,356</u>	<u>20,265</u>
<u>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</u>	<u>4,972,471</u>	<u>(600,744)</u>
<u>CASH AND CASH EQUIVALENTS, Beginning of Year</u>	<u>3,632,417</u>	<u>4,233,161</u>
<u>CASH AND CASH EQUIVALENTS, End of Year</u>	<u>8,604,888</u>	<u>3,632,417</u>
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</u>		
Cash and Cash Equivalents in Current Assets	2,676,629	1,648,279
Restricted Cash and Cash Equivalents	5,890,196	1,984,138
<u>Total Cash and Cash Equivalents</u>	<u>8,566,825</u>	<u>3,632,417</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u>		
<u>By Operating Activities</u>		
Operating Income (Loss)	(1,533,068)	(1,084,880)
<u>Adjustments to Reconcile Operating Income to Net Cash Flows Used in Operating Activities</u>		
Depreciation	738,305	761,529
<u>Changes In</u>		
Patient Accounts Receivable	(11,634)	(581,000)
Supplies and Other Current Assets	(135,801)	31,414
Accounts Payable, Accrued Expenses, and Other Current Liabilities	(208,304)	349,733
Estimated Third-Party Payor Settlements	(431,371)	135,305
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>(1,581,873)</u>	<u>(387,899)</u>
Cash Paid for Interest	-	-
Cash Paid for Income Tax	-	-
Equipment Acquired through Capital Lease Obligations	-	270,953

SOUTHEAST COLORADO HOSPITAL DISTRICT  
SPRINGFIELD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeast Colorado Hospital District is a local government unit created for the purpose of providing health care to Baca County and the surrounding area.

Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (Southeast Colorado Hospital District) and its component units. The District has no component units, and the reporting entity consists of the hospital and long-term care facility. Southeast Colorado Hospital District is managed by five board members.

Presentation

The District prepares its financial statements in accordance with accounting principles applicable to hospitals as described in the Audit and Accounting Guide Health Care Entities published by the American Institute of Certified Public Accountants.

Government - Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities of the Southeast Colorado Hospital District are reported as business-type.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
SPRINGFIELD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District consists of one major proprietary fund.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services and ad valorem tax. Operating expenses for the District include the cost of services, administrative expenses, and depreciation on capital assets.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are reported as gross revenue and as a contractual adjustment to determine total operating revenue

Net Patient Service Revenue

Net Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

Receivables

Patient accounts receivable are recorded at established rates as services are provided. Provisions for uncollectible accounts is made in amounts required to maintain an adequate allowance for anticipated losses. In some cases, services to patients are paid for by Medicare, Medicaid, or other third parties. The amount reimbursed is generally based upon the cost of the services provided, as defined by government regulations. Account balances are reduced for the estimated amount of contractual allowances.

Property Taxes

Under Colorado Law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are recognized as revenue when payable from the County Treasurer.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
SPRINGFIELD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at lower of cost or market, calculated using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The District uses the straight-line method for financial statement reporting. Estimated useful lives are 5 to 40 years for equipment and building improvements and 40 years for buildings. Property, plant and equipment with unit costs of less than \$5,000 are expensed in the year purchased.

Compensated Absences (Personnel Annual Leave Payable)

At December 31, 2020 and 2019 the District had liabilities for accrued vacation of \$498,496 and \$488,482 respectively and are included in the “accounts payable and accrued expenses” in the accompanying statement of net position.

Budgetary Accounting

Revenues and expenditures are controlled by budgetary accounting system in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as in accordance with Colorado Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the Chief Financial Officer submits to the Hospital Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The Chief Financial Officer is authorized to transfer budgeted amounts between categories, however, any revisions that alter the total expenditures must be approved by the Hospital Board.
5. Formal budgetary integration should be employed as a management control device during the year.
6. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). See Note 6.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
SPRINGFIELD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs of Borrowing

Borrowing costs attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale were expensed during 2020 and 2019. This was in accordance with the requirements set out in GASB No. 89 “Accounting for Interest Costs Incurred Before the End of a Construction Period” effective for periods beginning after December 15, 2019. The District adopted this Statement as of December 31, 2018.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payers.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Contributions

From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues.

Restricted Resources

When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
SPRINGFIELD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position – Net position of the District is classified in the following four components:

- Net Investment in Capital Assets – consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets.
- Restricted expendable – consist of noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Board.
- Restricted nonexpendable – equal the principal portion of permanent endowments.
- Unrestricted – consist of the remaining net position that do not meet the definition of invested in capital assets net of related debt or restricted.

Operating Revenues and Expenses

The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Noncurrent Assets – Noncurrent assets primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board for future capital improvements and COVID related costs, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Hospital have been reclassified in the balance sheet at December 31, 2020 and 2019.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

- Medicare – As a critical access Hospital, all Medicare revenue sources except Ambulance, Home Health, and Hospice are reimbursed on a cost plus 1% basis. Other Medicare revenues are paid on a per unit of service basis. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2018.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
SPRINGFIELD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue (Continued)

- Medicaid – Inpatient services provided to Medicaid Program beneficiaries are paid prospectively determined rates per discharge. Outpatient and Nursing Facility services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been finalized by the Medicaid fiscal intermediary through December 31, 2018.
  
- Blue Cross - Inpatient services rendered to Blue Cross subscribers are reimbursed based on charges less an adjustment of 9%.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements is charges less an adjustment of from 2% to 9%.

NOTE 2    DEPOSITS AND INVESTMENTS

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 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 be at least equal to the aggregate uninsured deposits.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
 SPRINGFIELD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 2    DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2019 and 2020, the District had bank balances as follows:

	2019		2020	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Insured (FDIC)	766,568	766,568	510,722	510,722
Uninsured, collateralized under the Public Deposit Protection Act of the State of Colorado	3,595,336	3,844,320	8,830,145	9,003,485
Cash with the County Treasurer	4,460	-	3,962	-
Cash on Hand	9,841	-	16,531	-
<u>Total Cash and Deposits</u>	<u>4,376,205</u>	<u>4,610,888</u>	<u>9,361,360</u>	<u>9,514,207</u>
<u>Recap</u>				
Cash and Cash Equivalents	3,632,417		8,604,888	
Certificates of Deposit	743,788		756,472	
<u>Total</u>	<u>4,376,205</u>		<u>9,361,360</u>	

Deposits with a bank balance of \$3,844,320 and \$9,003,485 and carrying balance of \$3,595,336 and \$8,830,145 as of December 31, 2019 and 2020 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

SOUTHEAST COLORADO HOSPITAL DISTRICT  
 SPRINGFIELD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

At December 31, 2019 and 2020, the District had the following investments:

<u>Year</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>
2019	Certificates of Deposit	6 to 12 Months	743,788	N/A
2019	COLOTRUST	44 Day Average	<u>26,956</u>	
		Total	<u>770,744</u>	
2020	Certificates of Deposit	6 to 12 Months	756,472	N/A
2020	COLOTRUST	Under 60 Day Average	<u>5,000</u>	
		Total	<u>761,472</u>	

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The Certificates of deposit are not rated.

Concentration of Credit Risk – The District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurement as of December 31, 2019 and 2020:

- COLOTRUST – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

NOTE 3 ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the District at December 31, 2020 and 2019 consisted of these amounts:

<u>Patient Accounts Receivable</u>	<u>2020</u>	<u>2019</u>
Receivable from Patients and their Insurance Carriers	2,719,173	1,876,265
Receivable from Medicare	1,294,015	1,531,392
Receivable from Medicaid	<u>574,239</u>	<u>623,209</u>
<u>Total Patient Accounts Receivable</u>	4,587,427	4,030,866
Less Allowance for Uncollectibles Amounts	<u>2,092,417</u>	<u>1,547,490</u>
<u>Patient Accounts Receivable, Net</u>	<u>2,495,010</u>	<u>2,483,376</u>
<u>Accounts Payable and Accrued Expenses</u>		
Payable to Employees	572,389	766,190
Payable to Suppliers	455,305	424,444
Self Insurance – Claims Incurred Not Reported	<u>140,000</u>	<u>191,000</u>
<u>Total Accounts Payable and Accrued Expenses</u>	<u>1,167,694</u>	<u>1,381,634</u>

SOUTHEAST COLORADO HOSPITAL DISTRICT  
 SPRINGFIELD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 4    CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended December 31, 2020 and 2019 were as follows:

	<u>Balance</u> <u>Dec.31, 2019</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Land	95,989	-	3,500	-	99,489
Land Improvements	94,721	-	18,565	-	113,286
Buildings & Improvements	9,056,051	207,009	-	-	9,263,060
Equipment	4,269,008	101,258	385,624	26,968	4,728,922
Construction in Progress	<u>354,297</u>	<u>(308,267)</u>	<u>183,965</u>	-	<u>229,995</u>
<u>Totals at Historical Cost</u>	<u>13,870,066</u>	<u>-</u>	<u>591,654</u>	<u>26,968</u>	<u>14,434,752</u>
Less Accumulated					
Depreciation for:					
Land Improvements	63,413	-	6,169	-	69,582
Buildings & Improvements	4,131,285	-	397,616	-	4,528,901
Equipment	<u>2,738,418</u>	<u>-</u>	<u>334,520</u>	<u>26,984</u>	<u>3,045,954</u>
<u>Total Accumulated Depreciation</u>	<u>6,933,116</u>	<u>-</u>	<u>738,305</u>	<u>26,984</u>	<u>7,644,437</u>
<u>Capital Assets, Net</u>	<u>6,936,950</u>	<u>-</u>	<u>(146,651)</u>	<u>(16)</u>	<u>6,790,315</u>
	<u>Balance</u> <u>Dec.31, 2018</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
Land	95,989	-	-	-	95,989
Land Improvements	94,721	-	-	-	94,721
Buildings & Improvements	8,924,939	-	131,343	231	9,056,051
Equipment	3,993,263	-	801,063	525,318	4,269,008
Construction in Progress	<u>37,417</u>	<u>-</u>	<u>316,880</u>	<u>-</u>	<u>354,297</u>
<u>Totals at Historical Cost</u>	<u>13,146,329</u>	<u>-</u>	<u>1,249,286</u>	<u>525,549</u>	<u>13,870,066</u>
Less Accumulated					
Depreciation for:					
Land Improvements	58,616	-	4,797	-	63,413
Buildings & Improvements	3,743,795	-	387,721	231	4,131,285
Equipment	<u>2,893,531</u>	<u>-</u>	<u>369,011</u>	<u>524,124</u>	<u>2,738,418</u>
<u>Total Accumulated Depreciation</u>	<u>6,695,942</u>	<u>-</u>	<u>761,529</u>	<u>524,355</u>	<u>6,933,116</u>
<u>Capital Assets, Net</u>	<u>6,450,387</u>	<u>-</u>	<u>487,757</u>	<u>1,194</u>	<u>6,936,950</u>

SOUTHEAST COLORADO HOSPITAL DISTRICT  
 SPRINGFIELD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 5    LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES

A schedule of changes in the District's long-term debt for 2020 and 2019 follows:

<u>Changes in Debt</u>	Balance <u>1-1-2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12-31-2020</u>	Amounts Due <u>Within One Year</u>
Lease Purchase Agreements	2,342,852	-	344,423	1,998,429	344,080
Notes Payable	-	<u>2,100,000</u>	-	<u>2,100,000</u>	<u>945,443</u>
Total Long-Term Debt	<u>2,342,852</u>	<u>2,100,000</u>	<u>344,423</u>	<u>4,098,429</u>	<u>1,289,523</u>

  

	Balance <u>1-1-2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12-31-2019</u>	Amounts Due <u>Within One Year</u>
Lease Purchase Agreements	2,403,562	270,953	331,663	2,342,852	344,423
Notes Payable	-	-	-	-	-
Total Long-Term Debt	<u>2,403,562</u>	<u>270,953</u>	<u>331,663</u>	<u>2,342,852</u>	<u>344,423</u>

Lease Purchase Agreements

	<u>2020</u>	<u>2019</u>
1) A lease purchase agreement for the purchase of a Brown 16 slice CT was executed January 11, 2019. The original amount was \$240,000 with interest at 0.00% for 5 years with payments of \$4,000 per month.	160,000	208,000
2) A lease purchase agreement for the purchase of copiers was executed June 26, 2019. The original amount was \$30,953.33 with interest at 5.00% for 5 years with payments of \$622.86 per month.	22,876	28,363
3) A lease purchase agreement for the purchase of a Dimension ExL200 Chemistry Immunoassay Integrated System was executed May 21, 2015. The original amount was \$100,000 with interest at 3.183% for 5 years with payments of \$1,805 monthly.	-	8,954
4) A lease purchase agreement for the purchase of a Lexmark copier was executed April 20, 2016. The original amount was \$7,177 with interest at 5.64% for 5 years with payments of \$138 monthly.	409	1,988
5) A lease purchase agreement for the purchase of HVAC Equipment was executed October 15, 2016. The original amount was \$2,805,329 with interest at 3.242% for 10 years with payments of \$28,377.63 per month. (An additional principal payment of \$90,645 was made on December 28, 2016.)	1,809,064	2,086,571
6) A lease purchase agreement for the purchase of a copier was executed November 10, 2017. The original amount was \$14,380 with interest at 9.55% for 5 years with payment of \$302.39 per month.	<u>6,080</u>	<u>8,976</u>
<u>Total Lease Purchase Payable</u>	<u>1,998,429</u>	<u>2,342,852</u>

SOUTHEAST COLORADO HOSPITAL DISTRICT  
 SPRINGFIELD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

NOTE 5    LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES (Continued)

Notes Payable

The District entered into the SBA Paycheck Protection Plan with a note at the TBK Bank for the purpose of sustaining the current level of staff employment. The period for expenditure began February 15, 2020 and ended December 31, 2020.

	<u>2020</u>	<u>2019</u>
The TBK Bank note (SBA Paycheck Protection Plan), was executed on April 13, 2020 with an available principal amount of \$2,100,000 with an interest rate of 1.0% maturing April 13, 2022.	\$2,100,000	-

<u>Total Notes Payable</u>	<u>\$2,100,000</u>	<u>-</u>
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The District has entered into lease agreements for the acquisition of equipment. These lease purchase agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2020 and 2019.

<u>Year</u>	<u>2020</u>			<u>2019</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	-	-	-	344,423	65,887	410,310
2021	344,080	55,967	400,047	344,080	55,967	400,047
2022	353,204	45,825	399,029	353,204	45,825	399,029
2023	360,473	35,533	396,006	360,473	35,533	396,006
2024	335,196	25,073	360,269	335,196	25,073	360,269
2025	325,837	14,695	340,532	325,837	14,695	340,532
2026	<u>279,639</u>	<u>4,134</u>	<u>283,773</u>	<u>279,639</u>	<u>4,134</u>	<u>283,773</u>
Total Minimum Lease Payments	<u>1,998,429</u>	<u>181,227</u>	2,179,656	<u>2,342,852</u>	<u>247,114</u>	2,589,966
Less: Amount Representing Interest			<u>181,227</u>			<u>247,114</u>
<u>Present Value of Future Minimum Lease Payments</u>			<u>1,998,429</u>			<u>2,342,852</u>

SOUTHEAST COLORADO HOSPITAL DISTRICT  
 SPRINGFIELD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020

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NOTE 6    BUDGET

A comparison for budgeted and actual revenues and expenditures as of December 31, 2020 and 2019 is presented in the following schedule:

(This comparison is not a schedule of operations.)

	2020		2019	
	Budget	Actual	Budget	Actual
<u>Revenues</u>	<u>19,429,985</u>	<u>20,741,456</u>	<u>18,371,779</u>	<u>18,281,619</u>
<u>Expenditures</u>	<u>19,332,304</u>	<u>19,261,772</u>	<u>18,369,073</u>	<u>18,257,456</u>

NOTE 7    CONTINGENCIES

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's bill of rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in property taxes and grants from all state and local governments combined, are excluded from the provisions of TABOR. (The District's management believes its operations qualify for this exclusion).

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of the qualifications of an Enterprise will require judicial interpretation.

The District is not in any claims or actions which will result in costs or losses to the District that are uninsured or of a material nature.

NOTE 8    RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The Hospital maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

SOUTHEAST COLORADO HOSPITAL DISTRICT  
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NOTE 9    DEFINED CONTRIBUTION PENSION PLAN

The District provides pension benefits for substantially all full time employees through a defined contribution plan of Colorado County Officials and Employees Retirement Association. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. One year of service is required previous to participation in the Colorado County Officials and Employees Retirement Association Plan.

Employees contribute 3% of their salary to the plan with an equal amount contributed by the District. Vesting occurs at the rate of 20% per year. District contributions for, and earnings forfeited by, employees who leave employment before fully vesting are returned to the District.

The benefit terms are authorized by the Board of Directors of the Southeast Colorado Hospital District and may only be amended by them.

The following is a summary of the plan activity for 2020 and 2019:

	2020	2019
Total Payroll	10,638,399	9,436,732
Salary for Contributions	8,148,880	6,968,233
District Contributions (at 3%)	244,466	209,047
Employee Contributions (at 3%)	244,466	209,047
Pension Expense	242,499	203,789
Forfeitures	1,968	5,258

The District has no outstanding pension liability at year end.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In previous years the District adopted an amendment to its Deferred Compensation Plan with CCOERA. The adoption of the amendment was due to recent changes in the Internal Revenue Code. Specifically the amendment states that all amounts deferred under this plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall, until made available to the participant or beneficiary, be held in the Colorado County Officials and Employees Retirement Association Deferred Compensation Plan Trust for the exclusive benefit of participants and their beneficiaries. Colorado County Officials and Employees Retirement Association is trustee of the trust.

Eligible voluntary employee contributions were \$120,898 for 2020 and \$105,399 for 2019.