

**EAST MORGAN COUNTY  
HOSPITAL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

EAST MORGAN COUNTY HOSPITAL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
December 31, 2021

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Morgan County Hospital District  
Brush, Colorado

*Opinions*

We have audited the accompanying financial statements of the governmental activities and the major fund of the East Morgan County Hospital District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the East Morgan County Hospital District as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the East Morgan County Hospital District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Morgan County Hospital District's ability to continue as a going concern for twelve months beyond the financial statement date, including and currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing and audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 East Morgan County Hospital District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt the East Morgan County Hospital District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Other Matters

##### *Required Supplementary Information*

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

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combined Schedule of Cash and Investments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Fort Morgan, Colorado  
May 4, 2022

EAST MORGAN COUNTY HOSPITAL DISTRICT  
STATEMENT OF NET POSITION  
As of December 31, 2021

	Primary	Component Unit
	Governmental Activities	East Morgan County Hospital Foundation
<b>Assets</b>		
<b>Current Assets</b>		
Cash in bank and savings	\$ 1,082,013	\$ 129,595
Cash with County Treasurer	8,416	-
Certificate of deposit	3,467,654	304,304
General property taxes receivable	1,206,714	-
Pledges receivable	-	405
Accrued interest revenue	3,774	136
Inventory		1,006
Investments	1,415,195	1,004,293
<b>Total Current Assets</b>	7,183,766	1,439,739
<b>Long-term Assets</b>		
<b>Capital Assets</b>		
<b>Nondepreciable Assets</b>		
Land	1,099,373	-
<b>Depreciable Assets</b>		
Buildings, Improvements and Fixed Equipment	29,135,897	4,150
Major Moveable Equipment	8,252,693	500
Construction in Progress	66,231	-
<b>Total Depreciable Assets</b>	37,454,821	4,650
Less: Depreciation	(22,521,118)	(2,921)
<b>Net Depreciable Assets</b>	14,933,703	1,729
<b>Net Capital Assets</b>	16,033,076	1,729
<b>Endowment Assets</b>		
Certificate of Deposit	-	35,000
<b>Total Assets</b>	23,216,842	1,476,468
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	29,975	-
Accrued interest expense	9,332	-
Unearned contribution revenue - current portion	633,333	-
Current portion of general obligation bonds	270,000	-
<b>Total Current Liabilities</b>	942,640	-
<b>Long-term Liabilities</b>		
Long-term portion of unearned contribution revenue	3,008,335	-
General obligation bonds	4,200,000	-
Less: Unamortized debt issuance costs	(85,230)	-
<b>Net General Obligation Bonds</b>	4,114,770	-
<b>Total Liabilities</b>	8,065,745	-
<b>Deferred Inflows of Resources</b>		
Deferred tax revenues	1,206,714	-
<b>Net Position</b>		
Net investment in capital assets	16,033,076	
With Donor Restrictions		
Restricted		
Emergency reserve (TABOR)	45,000	
Restricted for capital purchases	530,000	
Other purposes		35,000
Temporarily Restricted		236,977
Without Donor Restrictions	(2,663,693)	1,204,491
<b>Total Net Position</b>	\$ 13,944,383	\$ 1,476,468

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

	Expenses	Program Revenues		Primary Government	Component Unit
		Operating Grants and Contributions	Capital Grants and Contributions	Net Governmental Activities	East Morgan County Hospital Foundation
Governmental Activities: Public Health	\$ 2,241,949	\$ -	\$ 1,196,828	\$ (1,045,121)	
Component Unit: East Morgan County Hospital Foundation	\$ 65,898	\$ 80,008	\$ -		\$ 14,110

General Revenues

Taxes:				
Property tax, levied for general purposes			1,163,994	
Specific ownership			104,148	
Rent income			401,465	
Other income			262	
Gain (Loss) on disposal of assets			(649,440)	
Investment earnings			10,051	21,273
Unrealized loss on investments				76,493
Inter entity transfer				-
Total General Revenues			1,030,480	97,766
Change in Net Position			(14,641)	111,876
Net Position - Beginning of Year			13,959,024	1,364,592
Net Position - End of Year			\$ 13,944,383	\$ 1,476,468

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
BALANCE SHEET  
GENERAL FUND  
As of December 31, 2021

	General Fund
<b>ASSETS AND DEFERRED OUTFLOWS</b>	
Cash in bank and savings	\$ 1,082,013
Cash with County Treasurer	8,416
Certificate of deposit	3,467,654
General property taxes receivable	1,206,714
Investments	1,415,195
<b>Total Assets</b>	<b>\$ 7,179,992</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 29,975
Unearned contribution revenues	3,641,667
<b>Total Liabilities</b>	<b>3,671,642</b>
<b>Deferred Inflows of Resources</b>	
Deferred tax revenues	1,206,714
<b>Fund Balances</b>	
<b>Restricted</b>	
Restricted for emergencies	45,000
Restricted for capital purchases	530,000
Unassigned	1,726,636
<b>Total Fund Balance</b>	<b>2,301,636</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 7,179,992</b>

-

Reconciliation between fund balances reported as governmental funds on the Balance Sheet and Net Position reported on the Statement of Net Position:

Fund Balance	\$ 2,301,636
Capital Assets used in governmental activities are not financial resources and therefore not recorded in the fund	16,033,076
Long-term liabilities, including general obligation bonds are not due and payable in the current period and, therefore, are not reported in the fund.	(4,384,770)
Interest is accrued on outstanding long-term debt and is not due and payable in the current period and, therefore, is not reported in the fund.	(9,332)
Accrued interest revenue is not a source of financial resources and is not reported in the fund.	3,774
<b>Net Position of Governmental Activities</b>	<b>\$ 13,944,384</b>

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Year Ended December 31, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Taxes (net treasurer's fees of \$22,469)	\$ 1,174,682	\$ 1,174,682	\$ 1,163,994	\$ (10,688)
Specific ownership	100,000	100,000	104,148	4,148
Rental Income	-	-	401,465	401,465
Investment income	20,000	20,000	10,051	(9,949)
Other income	-	-	262	262
Contributions	400,000	400,000	1,196,828	796,828
<b>Total Revenue</b>	<b>1,694,682</b>	<b>1,694,682</b>	<b>2,876,748</b>	<b>1,182,066</b>
<b>Expenditures</b>				
<b>Current</b>				
Legal and accounting	13,000	13,000	6,096	6,904
Board insurance	12,000	12,000	5,836	6,164
Repairs and maintenance	70,000	70,000	117,182	(47,182)
Other direct expense	12,000	12,000	5,980	6,020
Office expense	1,250	1,250	481	769
Consulting fees	76,000	76,000	-	76,000
<b>Total Current Expenditures</b>	<b>184,250</b>	<b>184,250</b>	<b>135,575</b>	<b>48,675</b>
<b>Capital Outlay</b>				
Equipment	400,000	400,000	395,427	4,573
Building Improvements	857,800	857,800	872,801	(15,001)
<b>Total Capital Outlay</b>	<b>1,257,800</b>	<b>1,257,800</b>	<b>1,268,228</b>	<b>(10,428)</b>
<b>Total Expenditures</b>	<b>1,442,050</b>	<b>1,442,050</b>	<b>1,403,803</b>	<b>38,247</b>
<b>Revenues in Excess of Expenditures</b>	<b>252,632</b>	<b>252,632</b>	<b>1,472,945</b>	<b>1,220,313</b>
<b>Other Financing Sources (Uses)</b>				
<b>Repayment on bond issuance</b>				
Principal	(270,000)	(270,000)	(270,000)	-
Interest	(120,396)	(120,396)	(120,396)	-
Inter entity operating transfer	5,000	5,000	-	(5,000)
<b>Revenues and Other Financing Source in Excess of Expenditures</b>	<b>\$ (132,764)</b>	<b>\$ (132,764)</b>	<b>1,082,549</b>	<b>\$ 1,215,313</b>
<b>Fund Balance - Beginning of Year</b>			<b>1,219,087</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 2,301,636</b>	

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

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

Net Change in Fund Balance of Governmental Fund \$ 1,082,549

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

Depreciation Expense	\$ (1,958,096)	
Capital Outlays	<u>1,268,228</u>	(689,868)

Loss on disposal of assets due to unused depreciation is not an expense on the governmental fund. (649,440)

Revenues from interest are recorded when received for governmental funds whereas they are recognized when identifiable for governmental activities (543)

Repayment of a bond obligation is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments. 270,000

In the statement of activities, certain operating expenses such as interest are measured by the amounts incurred during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount represents the net effect of interest payable on the statement of activities (20,685)

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

Change in Net Position of Governmental Activities	\$ (14,641)
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The accompanying notes and independent auditors' report should be read with these financial statements.

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

B. Nature of Operations

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

C. Basis of Presentation and Accounting

Government-wide Financial Statements

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation and Accounting (Continued)

Government-wide Financial Statements (Continued)

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

Governmental Fund Financial Statements

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

D. Basis of Presentation and Accounting

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

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

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

E. Budgets

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets (Continued)

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

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

F. Deposits and Investments

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

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

G. Receivables

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

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

H. Encumbrances

The District does not use encumbrance accounting.

I. Capital Assets

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

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

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

Buildings	40 Years
Buildings Additions and Improvements	7-20 Years
Equipment & Furniture	3-15 Years

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Debt and Costs

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

K. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: property taxes levied in 2021 and due in 2022.

L. Net Position

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

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

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

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

M. Use of Estimates

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

NOTE 2. CASH AND INVESTMENTS

A. Cash and Certificates of Deposit

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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

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

B. Investments

*Credit Risk:* State law limits investments for local governments to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper are limited to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. As of December 31, 2021, the District's investments were rated either Aaa or AAA as noted in the supplemental Combined Schedule of Cash and Investments.

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

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

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

*Maturities:* The Investment bonds carried by the District on December 31, 2021 will have maturities as follows:

Maturities within one year	\$	409,613
Maturities within two years		0
Maturities within three years		0
Maturities within four years		0
Maturities within five years		0

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3. CHANGES IN GENERAL FIXED ASSETS

	Balance December 31, 2020	Additions	Deletions and Adjustments	Balance December 31, 2021
<u>Governmental Activities</u>				
Non-depreciable assets:				
Land	\$ 1,099,373	\$ -	\$ -	\$ 1,099,373
Total Non-depreciable Assets	1,099,373	-	-	1,099,373
Depreciable Assets:				
Buildings, improvements, and Fixed equipment	28,444,582	872,801	(181,486)	29,135,897
Major moveable equipment	8,647,912	395,427	(790,646)	8,252,693
Total Depreciable Assets	37,092,494	1,268,228	(972,132)	37,388,590
Less: Accumulated depreciation	(20,623,848)	(1,958,096)	60,826	(22,521,118)
Net Depreciable Assets	16,468,646	(689,868)	(911,306)	14,867,472
Total Governmental Activities	<u>\$ 17,568,019</u>	<u>\$ (689,868)</u>	<u>\$ (911,306)</u>	<u>\$15,966,845</u>

The amount of depreciation expense for public health in 2021 is \$1,958,096.

NOTE 4. CONTRIBUTIONS – BEQUESTS/COMPONENT UNIT

The District receives contributions from the East Morgan County Hospital Foundation. In-kind contributions represent goods or services purchased by the East Morgan County Hospital Foundation on behalf of the District. As of December 31, 2021, there were no contributions paid by the Foundation but not yet received by the District.

NOTE 5. NET POSITION APPROPRIATIONS AND RESERVES

A. Capital Improvements

The District has reserved \$530,000 for capital purchases. This amount is made up of donor restricted contributions made in 2021 that have not yet been spent for the restricted purpose. These contributions are expected to be spent on 2022 capital purchases.

B. Tax, Spending, Revenue and Debt Limitations

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

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 5. NET POSITION APPROPRIATIONS AND RESERVES (CONTINUED)

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

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

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

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

Emergency Reserve

The Article requires an emergency reserve to be set aside for 2022 in the amount of 3% or more of its fiscal year spending. At December 31, 2021, the District has reserved \$45,000 for 2022 emergencies.

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

C. Temporarily Restricted

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

Scholarships	52,755
Clara Potter Howe Trust	9,147
Foiles Bequest	159,190
Memorials	330
Breast Cancer Awareness	554
Emergency Department	10,000
Gunnon Funds - Rehab	5,000
	<hr/>
	236,977
	<hr/>

D. Permanently Restricted

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

NOTE 6. RISK MANAGEMENT

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

NOTE 7. OTHER MATTERS

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 8. UNEARNED CONTRIBUTION REVENUE

In 2013, the District finalized a renewed lease contract with Banner Health for 15 years. As a part of the lease agreement, Banner gave the District a \$9.5 million contribution to use in connection with the campus expansion project of East Morgan County Hospital. The lease agreement states that if the District or Banner break the lease prior to the end of the 15 years, the District will have to repay a prorated portion of the contribution. As such, the entire amount was recorded as unearned revenue and is being amortized over the life of the 15-year contract. For 2020, contribution revenue of \$633,333 was recognized, and as of December 31, 2021, deferred revenues of \$3,641,668 are shown on the statement of net position.

NOTE 9. GENERAL OBLIGATION BOND ISSUANCE

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

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

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

In association with the issuance, debt issuance costs of \$99,815 were incurred and have been amortized over the life of the bonds (15 years) using the straight-line method. The amount of amortization costs for public health in 2021 is \$6,654. As of December 31, 2021, unamortized debt issuance costs of \$85,230 are shown on the statement of net position.

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

Date	Principal	Interest	Total Principal & Interest
12/31/22	275,000	113,530	388,530
12/31/23	285,000	106,553	391,553
12/31/24	290,000	99,314	389,314
12/31/25	300,000	91,948	391,948
12/31/26	315,000	84,328	399,328
2027-2031	1,795,000	293,370	2,088,370
2032-2034	1,210,000	62,103	1,272,103

EAST MORGAN COUNTY HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

NOTE 10. LONG TERM LIABILITIES

Changes in long term liabilities are as follows:

	Balance 12/31/20	Addition	Reduction	Balance 12/31/21
Unearned Contribution Revenue	4,275,000	-	(633,333)	3,641,668
General Obligation Bonds	4,740,000	-	(270,000)	4,470,000
Unamortized Debt Issuance Costs	(91,885)	-	6,655	(85,230)
<b>Total Long Term Liabilities</b>	<b>8,923,115</b>	<b>-</b>	<b>(896,678)</b>	<b>8,026,438</b>

NOTE 11. SUBSEQUENT EVENTS

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

EAST MORGAN COUNTY HOSPITAL DISTRICT  
 COMBINED SCHEDULE OF CASH AND INVESTMENTS  
 As of December 31, 2021

	Investment Rating	Interest Rate	Maturity Date	Fair Value
<b>CASH AND DEPOSITS</b>				
Money Market and Checking				
Farmers State Bank	N/A	0.02%	N/A	\$ 1,082,013
RBC Insured deposits	N/A	0.01%	N/A	1,005,582
Cash on Deposit with Morgan County Treasurer	N/A	N/A	N/A	<u>8,416</u>
				2,096,011
Certificates of Deposit				
Farmers State Bank	N/A	0.20%	11/15/2022	210,572
Farmers State Bank	N/A	0.30%	1/22/2022	306,143
Farmers State Bank	N/A	0.30%	2/15/2022	211,314
Farmers State Bank	N/A	0.30%	3/17/2022	310,075
Farmers State Bank	N/A	0.10%	8/16/2022	208,169
Farmers State Bank	N/A	0.30%	5/16/2022	253,908
Farmers State Bank	N/A	0.20%	7/22/2022	306,985
Farmers State Bank	N/A	0.20%	9/17/2022	407,478
Farmers State Bank	N/A	0.10%	6/13/2022	251,129
Farmers State Bank	N/A	0.20%	9/10/2022	501,502
Farmers State Bank	N/A	0.30%	7/15/2022	<u>500,378</u>
				3,467,653
Total Primary Government				<u>5,563,664</u>
East Morgan County Hospital Foundation - Component Unit				
Farmers State Bank	N/A	0.02%	N/A	58,657
Farmers State Bank	N/A	0.10%	N/A	52,754
Farmers State Bank	N/A	N/A	N/A	200
Farmers State Bank	N/A	N/A	N/A	9,832
Farmers State Bank	N/A	N/A	N/A	8,153
JPMorgan Money Market	N/A	N/A	N/A	10,956
Farmers State Bank	N/A	0.30%	3/5/2022	106,695
Farmers State Bank	N/A	0.20%	10/18/2022	52,495
Farmers State Bank	N/A	0.30%	1/16/2022	35,000
Farmers State Bank	N/A	0.10%	5/2/2022	50,769
Farmers State Bank	N/A	0.10%	6/16/2022	50,680
Farmers State Bank	N/A	0.20%	12/20/2022	<u>43,664</u>
Total Component Unit				479,855
Total Reporting Entity Cash and Deposits				<u>\$ 6,043,519</u>
<b>INVESTMENTS</b>				
Morgan Stanley Bank	None	1.70%	2/22/2022	228,486
Citibank National Association	None	2.65%	4/4/2022	<u>181,127</u>
Total Primary Government				409,613
East Morgan County Hospital Foundation - Component Unit				
Mutual Funds				
Capital World Bond Fund	None	Variable	N/A	28,685
Columbia Select Mid Cap Fund	None	Variable	N/A	57,119
Credit Suisse Commodity Return Strategy Fund	None	Variable	N/A	20,419
Dodge & Cox Income Fund	None	Variable	N/A	45,837
Dodge & Cox International Stock Fund	None	Variable	N/A	31,992
Eaton Vance Income Fund of Boston	None	Variable	N/A	43,676
Franklin High Income Fund	None	Variable	N/A	26,506
Hartford Dividend & Growth Fund	None	Variable	N/A	66,010
JPMorgan Short Duration Bond Fund Select	None	Variable	N/A	151,210
Loomis Sayles Investment Grade	None	Variable	N/A	37,260
Metropolitan West Funds Total Return Bond Fd	None	Variable	N/A	58,474
MFS Growth Fund	None	Variable	N/A	60,936
MFS International Intrinsic Value Fund	None	Variable	N/A	53,947
MFS Value Fund	None	Variable	N/A	59,981
T Rowe Price Dividend Growth Fund	None	Variable	N/A	57,890
T Rowe Price U.S. Small Cap Growth Equity Fund	None	Variable	N/A	57,028
T Rowe Price New Income Fund	None	Variable	N/A	46,060
Templeton Global Bond Fund	None	Variable	N/A	32,961
Thornburg International Equity Fund	None	Variable	N/A	27,764
Mainstay Real Estate Fund	None	Variable	N/A	<u>29,581</u>
Total Component Unit				993,336
Total Reporting Entity Investments				<u>\$ 1,402,949</u>

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