

**HAXTUN HOSPITAL DISTRICT**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Haxtun Hospital District  
Haxtun, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Haxtun Hospital District (the District), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haxtun Hospital District as of December 31, 2022 and 2021, and the results of their operations, changes in their net position, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Haxtun Hospital District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Haxtun Hospital District's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' 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 auditors' report that includes our opinion. 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 GAAS and *Government 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment 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 consolidated 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 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

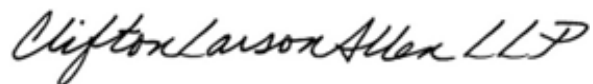
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the budgeted and actual revenues and expenses on page 30 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Denver, Colorado  
June 21, 2023

**HAXTUN HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**INTRODUCTION**

This management's discussion and analysis of Haxtun Hospital District (the District) provides an overview of the District's financial activities for the years ended December 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the District, which begin on page 10.

**USING THIS ANNUAL REPORT**

The District's financial statements consist of three statements: a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

**FINANCIAL HIGHLIGHTS**

- The District's current cash and cash equivalents decreased in 2022 by \$1,630,947, or 26%, compared to a decrease of \$1,794,177, or 22%, in 2021.
- Capital assets increased in 2022 by \$2,464,413, or 45%, compared to an increase of \$2,980,166, or 120% in 2021.
- Current liabilities decreased in 2022 by \$478,135, or 12%, compared to a decrease of \$2,405,811, or 38%, in 2021.
- Net position increased in 2022 by \$1,683,035, or 18%, compared to an increase \$3,353,658, or 56%, in 2021.
- Net operating revenues increased by \$820,176, or 7%, in 2022, compared to an increase of \$2,306,045, or 23%, in 2021.
- Operating expenses increased by \$716,976, or 6%, in 2022, compared to an increase of \$1,909,657, or 18%, in 2021.
- Nonoperating revenues (expenses) decreased by \$1,060,305, or 53%, in 2022, compared to a decrease of \$544,849, or 21%, in 2021.

**THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**HAXTUN HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

These two statements report the District's net position and changes in it. The District's total net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether their financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the District.

**THE STATEMENT OF CASH FLOWS**

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

**THE DISTRICT'S NET POSITION**

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position increased \$1,683,035 (18%) in 2022 compared to an increase of \$3,353,658 (56%) in 2021 as shown in Table 1.

**TABLE 1: ASSETS, LIABILITIES, DEFERRED INFLOWS, AND NET POSITION**

	2022	2021	2020
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,608,615	\$ 6,239,562	\$ 8,033,739
Patient Accounts Receivable, Net	1,378,372	1,263,418	1,363,346
Other Current Assets	900,502	735,855	1,029,387
Capital Assets, Net	7,935,974	5,471,561	2,491,395
Noncurrent Cash and Cash Equivalents	49,817	49,753	49,726
Total Assets	<u>\$ 14,873,280</u>	<u>\$ 13,760,149</u>	<u>\$ 12,967,593</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 3,498,719	\$ 3,976,854	\$ 6,382,665
Long-Term Debt	80,000	164,249	328,577
Total Liabilities	<u>3,578,719</u>	<u>4,141,103</u>	<u>6,711,242</u>
Deferred Inflows from Property Taxes	317,564	325,084	316,047
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,620,008	5,107,869	1,827,096
Restricted Nonexpendable	49,817	49,753	49,726
Restricted Expendable	-	-	286,639
Unrestricted	3,307,172	4,136,340	3,776,843
Total Net Position	<u>10,976,997</u>	<u>9,293,962</u>	<u>5,940,304</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 14,873,280</u>	<u>\$ 13,760,149</u>	<u>\$ 12,967,593</u>

**HAXTUN HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**THE DISTRICT'S ASSETS AND LIABILITIES**

The most noteworthy changes in 2022 to the District's statement of net position are the decreases in cash and cash equivalents and current liabilities along with the increases in capital assets. The statement of net position shows that current cash and cash equivalents decreased \$1,630,947 between 2022 and 2021. The decrease was primarily driven by amounts spent on capital projects in fiscal year 2022. During 2022 capital assets increased by \$2,464,413 as a result of capital asset additions related to the ongoing construction in progress projects.

The most noteworthy changes in 2021 to the District's statement of net position are the decreases in cash and cash equivalents and current liabilities along with the increases in capital assets. The statement of net position shows that current cash and cash equivalents decreased \$1,794,177 between 2021 and 2020. The decrease was primarily driven by amounts spent on capital projects in fiscal year 2021. During 2021 capital assets increased by \$2,980,166 as a result of capital asset additions related to the ongoing construction in progress projects. Current liabilities decreased in 2021 primarily as a result of recognizing grant funds that had been deferred as of December 31, 2020 along with starting to repay funds received under the Medicare Advanced Payment Program.

**HAXTUN HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**OPERATING RESULTS AND CHANGES IN DISTRICT'S NET POSITION**

In 2022, the District's net position increased by \$1,683,035, compared to an increase of \$3,353,658 in 2021. See Table 2 for the operating results and changes in net position.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>			
Net Patient Service Revenues	\$ 13,181,021	\$ 12,371,682	\$ 10,089,564
Other Operating Revenues	<u>105,714</u>	<u>94,877</u>	<u>70,950</u>
Total Operating Revenues	13,286,735	12,466,559	10,160,514
<b>OPERATING EXPENSES</b>			
Salaries, Wages, and Employee Benefits	7,446,479	7,076,293	6,602,437
Purchased Services and Professional Fees	2,733,353	2,307,187	1,340,150
Supplies and Other	2,621,432	2,698,193	2,231,971
Depreciation	<u>344,834</u>	<u>347,449</u>	<u>344,907</u>
Total Operating Expenses	<u>13,146,098</u>	<u>12,429,122</u>	<u>10,519,465</u>
<b>OPERATING GAIN (LOSS)</b>	140,637	37,437	(358,951)
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Property Taxes	363,541	352,237	351,675
Interest Income	2,042	1,661	5,645
Interest Expense	(10,309)	(15,344)	(23,386)
Other Nonoperating Revenues and Expenses, Net	<u>599,494</u>	<u>1,676,519</u>	<u>2,225,988</u>
Net Nonoperating Revenues	<u>954,768</u>	<u>2,015,073</u>	<u>2,559,922</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	1,095,405	2,052,510	2,200,971
Capital Grants	<u>587,630</u>	<u>1,301,148</u>	<u>-</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ 1,683,035</u>	<u>\$ 3,353,658</u>	<u>\$ 2,200,971</u>

**HAXTUN HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**OPERATING GAIN (LOSS)**

The first component of the overall change in the District's net position is its operating gain (loss), which is the difference between net patient service revenue and the expenses incurred to perform those services. In 2022, the District reported an operating gain of \$141,000. The District's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals.

Net patient service revenue of \$13.2 million in 2022 represented a 7% increase over 2021. The District experienced an increase in procedure rates throughout 2022, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2022 by approximately \$370,000, or 5%, as a result of wage increases by the District. Purchased services and professional fees increased by approximately \$426,000, or 18%, as a result of increased contract labor costs in 2022. Supplies and other expenses decreased approximately \$77,000, or 3% as a result of the decreasing need for COVID-19 related supplies.

The provision for bad debt in 2022 increased from 2021 by \$48,000, or 100%. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was approximately \$209,000 for 2022 and 2021.

Net patient service revenue of \$12.4 million in 2021 represented a 23% increase over 2020. The District experienced an increase in volumes throughout 2021, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2021 by approximately \$474,000 or 8%, as a result of wage increases by the District. Purchased services and professional fees increased by approximately \$967,000 or 72%, as a result of increased contract labor costs in 2021 along with the District expensing some capital projects that were determined they were not going to move forward. Supplies and other expenses increased approximately \$466,000 or 21% as a result of increased supplies related to increase patient revenues and additional costs related to the COVID-19 pandemic.

The provision for bad debt in 2021 decreased from 2020 by 67%. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was approximately \$209,000 and \$229,000 for 2021 and 2020, respectively.

**NONOPERATING REVENUES AND EXPENSES**

Nonoperating revenues and expenses consist primarily of property tax revenue, interest expense, and grants and contributions. Property tax revenues remained consistent between 2022 and 2021. Interest expense decreased 33% in 2022 and 34% in 2021. Grant and contribution revenues decreased between 2022 and 2021 by \$1,077,000 or 64%, which was primarily the result of decrease in grant funds received.

**THE DISTRICT'S CASH FLOWS**

The District experienced a decline in cash flows primarily as a result of increased capital expenditures along with repaying funds that had been received under the Medicare Advanced Payment Program.

**HAXTUN HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**CAPITAL ASSETS, NET**

The District's capital assets, net of accumulated depreciation, increased from \$5,471,561 in 2021, to \$7,935,974 in 2022, as detailed in Note 6 to the financial statements. The District purchased approximately \$2.8 million in capital assets in 2022, which was offset by continued depreciation on capital assets that have been placed in service.

**LONG-TERM DEBT**

At December 31, 2022 and 2021, the District had long-term debt (excluding current portion) of \$80,000 and \$164,249, respectively, in general obligation bonds, a promissory note, and a finance lease obligation. The decrease from 2021 is due to principal payments being made on the outstanding debt, as detailed in Note 8 to the financial statements.

**OTHER ECONOMIC FACTORS**

The District operates in rural Colorado in Phillips County, which is predominantly made up of farming communities. Additional economic factors impacting the District include population shifts, increasing numbers of uninsured or underinsured patients, and increasing costs of recruiting, hiring, and retaining health care professionals.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the District's executive office by telephoning 970-774-6123.

**HAXTUN HOSPITAL DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,608,615	\$ 6,239,562
Receivables:	.	
Patient Accounts Receivable, Net	1,378,372	1,263,418
Property Taxes	321,377	328,158
Other	80,905	71,105
Supplies Inventory	443,426	267,367
Prepaid Expenses and Other	54,794	69,225
Total Current Assets	<u>6,887,489</u>	<u>8,238,835</u>
<b>NONCURRENT CASH AND CASH EQUIVALENTS</b>		
Restricted by Contributors	49,817	49,753
<b>CAPITAL ASSETS, NET</b>	<u>7,935,974</u>	<u>5,471,561</u>
Total Assets	<u>\$ 14,873,280</u>	<u>\$ 13,760,149</u>

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2022 AND 2021**

**LIABILITIES, DEFERRED INFLOWS, AND NET POSITION**

**CURRENT LIABILITIES**

Current Maturities of Long-Term Debt	\$ 75,000	\$ 110,147
Current Maturities of Finance Lease Obligation	9,250	54,182
Accounts Payable	709,707	317,907
Accrued Expenses:		
Salaries, Wages, and Benefits	653,002	516,757
Interest	409	608
Unearned Revenue	1,517,351	2,688,253
Estimated Amounts Due to Third-Party Payors	534,000	289,000
Total Current Liabilities	<u>3,498,719</u>	<u>3,976,854</u>

**LONG-TERM LIABILITIES**

Long-Term Debt, Net of Current Maturities	80,000	155,000
Finance Lease Obligation, Net of Current Maturities	-	9,249
Total Long-Term Liabilities	<u>80,000</u>	<u>164,249</u>

Total Liabilities	3,578,719	4,141,103
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**DEFERRED INFLOWS FROM PROPERTY TAXES**

	317,564	325,084
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**NET POSITION**

Net Investment in Capital Assets	7,620,008	5,107,869
Restricted - Nonexpendable Endowment	49,817	49,753
Unrestricted	3,307,172	4,136,340
Total Net Position	<u>10,976,997</u>	<u>9,293,962</u>

Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 14,873,280</u>	<u>\$ 13,760,149</u>
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**HAXTUN HOSPITAL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>OPERATING REVENUES</b>		
Net Patient Service Revenue (Net of Provision for Bad Debts of Approximately \$96,000 in 2022 and \$48,000 in 2021)	\$ 13,181,021	\$ 12,371,682
Other Operating Revenue	105,714	94,877
Total Operating Revenues	13,286,735	12,466,559
<b>OPERATING EXPENSES</b>		
Salaries and Wages	6,403,510	6,068,056
Employee Benefits	1,042,969	1,008,237
Supplies	1,683,624	1,639,465
Professional Fees and Purchased Services	2,733,353	2,307,187
Depreciation	344,834	347,449
Insurance	322,852	288,770
Provider Tax	267,230	199,735
Other	347,726	570,223
Total Operating Expenses	13,146,098	12,429,122
<b>OPERATING GAIN</b>	140,637	37,437
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Property Taxes	363,541	352,237
Grants and Contributions	511,128	1,647,904
Interest Income	2,042	1,661
Interest Expense	(10,309)	(15,344)
Gain on Disposal of Capital Assets	-	20
Other Nonoperating Revenues	88,366	28,595
Total Nonoperating Revenues and Expenses	954,768	2,015,073
<b>EXCESS OF REVENUES OVER EXPENSES</b>	1,095,405	2,052,510
<b>CAPITAL GRANTS</b>	587,630	1,301,148
<b>INCREASE IN NET POSITION</b>	1,683,035	3,353,658
Net Position - Beginning of Year	9,293,962	5,940,304
<b>NET POSITION - END OF YEAR</b>	\$ 10,976,997	\$ 9,293,962

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from and on Behalf of Patients	\$ 12,140,165	\$ 12,062,349
Receipts from Other Operating Activities	105,714	94,877
Payments to and on Behalf of Employees	(7,310,234)	(7,083,806)
Payments to Suppliers, Contractors, and Others	(5,251,015)	(5,155,917)
Net Cash Used by Operating Activities	(315,370)	(82,497)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Taxes Supporting Operations	267,990	254,329
Noncapital Grants and Contributions	511,128	248,885
Other Nonoperating Revenue	88,366	28,595
Net Cash Provided by Noncapital Financing Activities	867,484	531,809
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Long-Term Debt	(110,147)	(116,568)
Interest Paid on Long-Term Debt	(10,508)	(15,542)
Principal Paid on Finance Lease Obligation	(54,181)	(64,133)
Proceeds from Property Taxes for Debt Service	94,812	97,471
Capital Grants	587,630	1,301,148
Proceeds Received on Disposal of Capital Assets	-	20
Purchase of Capital Assets	(2,692,645)	(3,447,519)
Net Cash Used by Capital and Related Financing Activities	(2,185,039)	(2,245,123)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	2,042	1,661
Increase in Noncurrent Cash and Cash Equivalents	(64)	(27)
Net Cash Provided by Investing Activities	1,978	1,634
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,630,947)	(1,794,177)
Cash and Cash Equivalents - Beginning of Year	6,239,562	8,033,739
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,608,615	\$ 6,239,562
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Fixed Assets Included in Accounts Payable	\$ 151,716	\$ 35,114

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2020
<b>RECONCILIATION OF OPERATING GAIN (LOSS) TO NET</b>		
<b>CASH USED BY OPERATING ACTIVITIES</b>		
Operating Gain (Loss)	\$ 140,637	\$ 37,437
Depreciation	344,834	347,449
Provision for Bad Debts	96,062	48,117
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable, Net	(211,016)	51,811
Estimated Amounts Due from Third-Party Payors	245,000	548,000
Other Receivables	(9,800)	30,872
Supplies Inventory	(176,059)	12,448
Prepays Expenses and Other	14,431	686
Accounts Payable	275,198	(194,543)
Accrued Salaries, Wages, and Benefits	136,245	(7,513)
Unearned Revenue	(1,170,902)	(957,261)
Net Cash Used by Operating Activities	\$ (315,370)	\$ (82,497)

See accompanying Notes to Financial Statements.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Haxtun Hospital District (the District) owns and operates a 25-bed licensed acute care hospital in Haxtun, Colorado. The District considers the southwestern portion of Phillips County, Colorado to be its primary service market and provides acute care services to patients in that area. The services provided include acute hospital care, emergency room, and the related ancillary procedures (lab, x-ray, therapy, etc.) associated with those services. The District is a quasi-municipal corporation governed by an elected five-member board.

Haxtun Hospital District operates under the laws of the state of Colorado for Colorado special districts. As organized, the District is exempt from payment of federal income tax. All District assets, liabilities, and financial transactions are included in these financial statements.

**Reporting Entity**

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature or significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit, which meets the GASB criteria.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB. The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis, using the economic resources measurement focus.

**Use of Estimates**

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

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less.

**Patient Accounts Receivable, Net**

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient, the District bills third-party payors directly and bill the patient when the patient's liability is determined. Patients are not required to provide collateral for services rendered. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payor. In addition, an allowance is estimated for other accounts based on the historical experience of the District. At December 31, 2022 and 2021, the allowance for uncollectible accounts was approximately \$227,000 and \$209,000, respectively.

**Supplies Inventory**

Supply inventories are stated at the lower of cost, determined using the first-in, first-out basis, or net realizable value.

**Noncurrent Cash and Cash Equivalents**

Noncurrent cash and cash equivalents consists of cash and cash equivalents restricted by contributors for an endowment.

**Capital Assets, Net**

Capital assets in excess of \$5,000 are recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Buildings	20 to 40 Years
Major Movable and Fixed Equipment	3 to 20 Years

**Impairment of Long-Lived Assets**

Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. Should the sum of the expected future net cash flows be less than carrying value, an impairment loss would be recognized. There was no impairment identified or recorded in fiscal years 2022 or 2021.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases - Lessee**

The District recognizes a lease liability and capital assets in the financial statements if the lease meets the capitalization requirements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**Net Position**

The Net Position of the District is classified in four components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted nonexpendable net position* is noncapital net position that must be held as an endowment as specified by contributors external to the District. Restricted net assets are reduced by any liabilities payable from restricted assets. *Restricted expendable net position* consists of contributions from donors that is restricted for a specific purpose and can be spent as specified by donors. *Unrestricted net position* is the remaining net assets that do not meet the definition of net investment in capital assets or restricted.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

The District received approximately 3% of its financial support from property taxes in 2022 and 2021. These funds were used to support operations of the District and to service long-term debt. The District levies property taxes on an annual basis through a mill levy on assessed property valuations. The funds were used as follows:

	2022	2021
Levied to Support Operations	\$ 268,729	\$ 254,766
Levied for Debt Service	94,812	97,471
Total Property Tax Income	\$ 363,541	\$ 352,237

Property tax is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the board of directors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first date of the following year. Although the property tax receivable has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year for which it is levied.

Lien date – January 1  
 Levy date – January 1, succeeding year  
 Due dates – February 28 and June 15, succeeding year

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**Charity Care**

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the District's charity care policy were approximately \$15,000 and \$103,000 for 2022 and 2021, respectively.

**Grants and Contributions**

From time to time, the District receives grants and 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 excess of revenues over expenses.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 District's principal activity. Nonexchange revenues, including taxes, interest expense, 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.

**Provider Fee Program**

In 2012, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee based on bed size and payor mix. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible.

**Advertising Costs**

The District expenses advertising costs as incurred.

**Deferred Inflows of Resources**

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unavailable property taxes. The property taxes will be recognized as revenue in the year for which the taxes have been levied and become available.

**Fair Value Measurements**

To the extent available, the District's investments are recorded at fair value. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

*Level 1* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access.

*Level 2* – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflow of resources or outflows of resources recognized based on the payment provisions of the contracts. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the earliest comparative period presented. There was no material impact of adopting GASB Statement No. 87 on the District's financial statements.

**NOTE 2 TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the state constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 2 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes Enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that it qualifies for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

**NOTE 3 NET PATIENT SERVICE REVENUE**

The District has agreements with third-party payors that provide for payments to the District at amounts different from their established rates. These payment arrangements include the following:

Medicare

The District is licensed as a Critical Access Hospital. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost report has been audited by the Medicare fiscal intermediary through December 31, 2020.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medicaid program pays for outpatient hospital services using an enhanced ambulatory patient grouping (EAPG), which is a prospective payment methodology.

Other

The District has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)**

Uninsured

The District provides health care services to patients who have not purchased commercial health care insurance coverage and do not qualify as beneficiaries of the Medicare and Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the District's charity care policy.

The following is a reconciliation of gross patient service revenue to net patient service revenue for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Gross Patient Service Revenue	\$ 16,650,292	\$ 15,958,230
Discounts and Adjustments:		
Contractual Adjustments	3,373,209	3,538,431
Provision for Bad Debts	96,062	48,117
Total Discounts and Adjustments	<u>3,469,271</u>	<u>3,586,548</u>
Net Patient Service Revenue	<u>\$ 13,181,021</u>	<u>\$ 12,371,682</u>

Revenue from Medicare and Medicaid programs accounted for approximately 44% and 12%, respectively, of the District's net patient revenue for the year ended December 31, 2022 and 49% and 10%, respectively, of the District's net patient revenue for the year ended December 31, 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**NOTE 4 PATIENT ACCOUNTS RECEIVABLE, NET**

The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare	41 %	46 %
Medicaid	12	4
Blue Cross	7	16
Other Third-Party Insurance	26	21
Patients	14	13
Total	<u>100 %</u>	<u>100 %</u>

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 5 DEPOSITS**

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 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.

The State Regulatory Commissioners for bank and financial services are required by statute to monitor the naming of eligible depositories and reporting of uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022 and 2021, the District's cash deposits had a bank balance of \$4,708,480 and \$6,418,094, respectively.

**NOTE 6 CAPITAL ASSETS, NET**

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	2022				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and Leasehold					
Improvements	4,023,713	266,669	-	-	4,290,382
Equipment	3,671,452	71,981	-	-	3,743,433
Software	35,166	-	-	-	35,166
Construction in Progress	3,063,299	2,470,597	-	-	5,533,896
Subtotal	<u>10,801,920</u>	<u>2,809,247</u>	<u>-</u>	<u>-</u>	<u>13,611,167</u>
Less: Accumulated					
Depreciation:					
Buildings and Leasehold					
Improvements	2,848,540	70,071	-	-	2,918,611
Equipment	2,448,572	273,881	-	-	2,722,453
Software	33,247	882	-	-	34,129
Subtotal	<u>5,330,359</u>	<u>344,834</u>	<u>-</u>	<u>-</u>	<u>5,675,193</u>
Capital Assets, Net	<u>\$ 5,471,561</u>	<u>\$ 2,464,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,935,974</u>

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 CAPITAL ASSETS, NET (CONTINUED)**

	2021				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and Leasehold Improvements	3,516,565	2,042	(78,800)	583,906	4,023,713
Equipment	3,569,852	22,099	-	79,501	3,671,452
Software	35,166	-	-	-	35,166
Construction in Progress	344,432	3,382,274	-	(663,407)	3,063,299
Subtotal	<u>7,474,305</u>	<u>3,406,415</u>	<u>(78,800)</u>	<u>-</u>	<u>10,801,920</u>
Less: Accumulated Depreciation:					
Buildings and Leasehold Improvements	2,788,200	60,340	-	-	2,848,540
Equipment	2,166,016	282,556	-	-	2,448,572
Software	28,694	4,553	-	-	33,247
Subtotal	<u>4,982,910</u>	<u>347,449</u>	<u>-</u>	<u>-</u>	<u>5,330,359</u>
Capital Assets, Net	<u>\$ 2,491,395</u>	<u>\$ 3,058,966</u>	<u>\$ (78,800)</u>	<u>\$ -</u>	<u>\$ 5,471,561</u>

As of December 31, 2022, construction in progress consists of costs related to the Hospital Infrastructure Project and the Main Street Clinic project. These projects are expected to be complete in 2023 at an expected total cost of approximately \$10,000,000 and are being funded through cash from operations, grant funds, and debt issuances.

The total cost of the asset under a finance lease at December 31, 2022 and 2021 was \$181,481 net of accumulated depreciation of \$84,259 and \$58,333 respectively. Depreciation expense related to the finance lease asset totaled \$25,926 for the years ended December 31, 2022 and 2021.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 7 FINANCE LEASE OBLIGATION**

The District leases equipment under a noncancelable long-term lease agreement. The lease has been recorded as a finance lease. The finance lease asset consists of major moveable equipment. Future lease payments are as follows:

2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Finance Lease Obligation	\$ 63,431	\$ -	\$ (54,181)	\$ 9,250	\$ 9,250
2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Finance Lease Obligation	\$ 127,564	\$ -	\$ (64,133)	\$ 63,431	\$ 54,182

The finance lease obligation requires monthly payments of \$4,649. The interest rate on the finance lease obligation is 4.14% with a maturity date of March 2023. The finance lease obligation is secured by the leased equipment.

**NOTE 8 LONG-TERM DEBT**

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

2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GO Refunding Bonds, Series 2013	\$ 230,000	\$ -	\$ (75,000)	\$ 155,000	\$ 75,000
Promissory Note	35,147	-	(35,147)	-	-
Total Long-Term Debt	\$ 265,147	\$ -	\$ (110,147)	\$ 155,000	\$ 75,000
2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GO Refunding Bonds, Series 2013	\$ 305,000	\$ -	\$ (75,000)	\$ 230,000	\$ 75,000
Promissory Note	76,715	-	(41,568)	35,147	35,147
Total Long-Term Debt	\$ 381,715	\$ -	\$ (116,568)	\$ 265,147	\$ 110,147

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**General Obligation Refunding Bonds, Series 2013**

On September 12, 2013, the District issued \$800,000 in Series 2013 General Obligation Refunding Bonds (Series 2013 Bonds), with annual maturities of \$10,000 to \$80,000, through December 1, 2024, interest at 3.17%, and payable semiannually. The Series 2013 Bonds are issued pursuant to the Bond Resolution and the District is to levy property taxes sufficient to pay the annual principal and interest on the Series 2013 Bonds.

**Promissory Note**

On October 13, 2017, the District entered into a promissory note agreement for \$200,000 that matured on October 13, 2022. The note required monthly payments of \$3,629, bore interest at 3.35% and was collateralized by the equipment purchased with the proceeds of the note.

Scheduled principal and interest payments on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 75,000	\$ 4,914
2024	80,000	2,536
Total	<u>\$ 155,000</u>	<u>\$ 7,450</u>

**NOTE 9 RESTRICTED NET POSITION**

At December 31, the restricted nonexpendable net position was available for the following:

	<u>2022</u>	<u>2021</u>
Restricted Nonexpendable Net Position - Endowment	<u>\$ 49,817</u>	<u>\$ 49,753</u>

The District received funds from a contributor to establish an endowment. The earnings on the endowment can be expended to support the District's activities.

**NOTE 10 PENSION PLAN**

The District has a defined contribution profit sharing pension plan (the Plan) under which employees become eligible upon hire to participate in the Plan if the employee works more than 32 hours per week. The Plan was established by and can be amended by the authority of the District's board of directors. Employees are 100% vested in their accounts once they reach five years of service under the Plan. Distributions can be made by the participant from their vested account balance upon reaching retirement age or terminating employment with the District. Employer contributions are a match of the employee contributions up to a percent of annual salary, for eligible participating employees and are deposited with the plan trustee who invests the plan assets. The contribution percentage is set by the board of directors on an annual basis. Total pension plan expense for the years ending December 31, 2022, 2021, and 2020 was \$70,225, \$84,774, and \$84,388, respectively.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Litigation**

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected losses, which are not covered by insurance, if any. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Malpractice Claims**

The District pays fixed premiums for annual medical malpractice insurance coverage under an occurrence policy. Under such policy, claims are covered only if the incident occurred during the policy term. The District is not aware of any unasserted claims, unreported incidents, or claims outstanding, which are expected to exceed malpractice insurance coverage limits as of December 31, 2022. Further, the District is subject to the provisions of the Colorado Government Immunity Act, which provides limitations on the liability of the District.

**Compliance**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services. The District records allowances where the government has shown a pattern of adjusting periodic reports submitted by the District, including Medicare cost reports or tax reporting, or where internal reviews indicate the possibility of future adjustments. Management believes that the District is in substantial compliance with current laws and regulations.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Other**

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence of care
- Environmental pollution
- Violation of a regulatory body's rules and regulations
- Violation of federal and/or state laws

No other contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

**NOTE 12 COVID-19 PANDEMIC**

In March 2020, the World Health District declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2023 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2022.

As part of the District's response to the COVID-19 pandemic it received payments from the CARES Act Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution, which is administered by the U.S. Department of Health and Human Services. The District received PRF and ARP payments in the amount of \$-0- and \$199,432 during 2022 and 2021, respectively. The District recognized revenues in the amount of \$-0- and \$1,598,449 during 2022 and 2021, respectively. The PRF and ARP revenues recognized are included in grants and contributions on the statements of revenues, expenses, and changes in net position. The District has recorded \$1,517,351 of PRF and ARP funds received in unearned revenue in the statements of net position at December 31, 2022 and 2021. The PRF and ARP payments have terms and conditions that the District is required to follow, and these funds are subject to audit. As part of the PRF and ARP terms and conditions, amounts received by the District could potentially be recouped if not spent in full or if the amounts are not spent in accordance with the terms and conditions. Management believes the amounts have been recognized appropriately as of December 31, 2022 and 2021.

**HAXTUN HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 12 COVID-19 PANDEMIC (CONTINUED)**

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Centers for Medicare & Medicaid Services (CMS) administered an Accelerated and Advanced Payment Program to provide additional relief funds to providers. During the year ended December 31, 2020, the District received total advanced funds through the Accelerated and Advanced Payment Program of \$2,128,163. These payments were received in April 2020 and needed to start to be repaid within a year from receipt. The District had up to 29 months from the date the payments were made to repay the balance. During fiscal year 2021 the District repaid \$957,261 of advanced funds through the Accelerated and Advanced Payment Program. The balance remaining at December 31, 2021 of \$1,170,903 was recorded as unearned revenue. The remaining balance was repaid during fiscal year 2022.

**NOTE 13 SUBSEQUENT EVENTS**

Subsequent to year-end the District entered into a promissory note with Highline Electric Association in the amount of \$1,800,000. The promissory note does not accrue interest. Starting May 1, 2023, the District is required to make monthly principal payments in the amount of \$15,000 with the final payment due April 1, 2033. The purpose of the promissory note is to provide funding for the Main Street Clinic. The promissory note is secured by a deed of trust on the District's property.

Subsequent to year-end the District entered into a promissory note with a financial institution in the amount of \$2,000,000. The purpose of the promissory note is to provide funding for the Main Street Clinic. The District can advance funds under the promissory note up to \$2,000,000 and it matures on April 15, 2024. The promissory note accrues interest at a variable rate that is updated daily based on the benchmark rate. The promissory note is secured by the deeds of trust on the District's property. The District plans on repaying this promissory note with the proceeds from the Congressionally Directed Spending Construction Projects award mentioned below.

Subsequent to year-end the District was awarded \$2,000,000 for Congressionally Directed Spending Construction Projects through the 2022 Consolidated Appropriations Act. The District has yet to receive the funds. The District is planning to use the funds on the Main Street Clinic Project.

**HAXTUN HOSPITAL DISTRICT  
BUDGETED AND ACTUAL REVENUES AND EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

	<u>Actual</u>	<u>Budgeted</u>	<u>Favorable (Unfavorable) Variance</u>
<b>OPERATING REVENUES</b>			
Net Patient Service Revenue	\$ 13,181,021	\$ 14,784,202	\$ (1,603,181)
Other	105,714	72,341	33,373
Total Operating Revenues	<u>13,286,735</u>	<u>14,856,543</u>	<u>(1,569,808)</u>
<b>OPERATING EXPENSES</b>			
Salaries, Wages, and Employee Benefits	7,446,479	8,297,480	851,001
Other	5,699,619	6,168,171	468,552
Total Operating Expenses	<u>13,146,098</u>	<u>14,465,651</u>	<u>1,319,553</u>
<b>OPERATING GAIN</b>	140,637	390,892	(250,255)
Nonoperating Revenues	<u>954,768</u>	<u>1,418,365</u>	<u>(463,597)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 1,095,405</u>	<u>\$ 1,809,257</u>	<u>\$ (713,852)</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Haxtun Hospital District  
Haxtun, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Haxtun Hospital District (the District), which comprise the statement of net position as of December 31, 2022, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

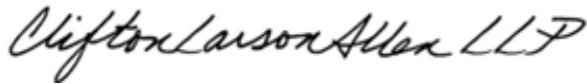
Board of Directors  
Haxtun Hospital District

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Denver, Colorado  
June 21, 2023



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