

**Salida Hospital District
d/b/a Heart of the
Rockies Regional
Medical Center**

**Independent Auditor's Report
and Financial Statements**

December 31, 2022 and 2021



**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center
December 31, 2022 and 2021**

Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Unaudited)	4
Financial Statements	
Statements of Net Position	16
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19
Notes to Financial Statements	21
Supplementary Information	
Combining Statement of Net Position – 2022	42
Combining Statement of Net Position – 2021	44
Combining Statement of Revenues, Expenses and Changes in Net Position – 2022	46
Combining Statement of Revenues, Expenses and Changes in Net Position – 2021	47
Budgeted and Actual Revenues and Expenses – Medical Center Only – 2022	48



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Independent Auditor's Report

Board of Directors
Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Salida, Colorado

Opinion

We have audited the financial statements of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center as of December 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Medical Center 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Medical Center adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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, 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.

Board of Directors
Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center

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 Medical Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any 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 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 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, 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 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 Medical Center'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 Medical Center'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.

Board of Directors
Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS,LLP

Denver, Colorado
April 21, 2023

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

Introduction

Management's discussion and analysis of the financial performance of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center) provides an overview of the Medical Center's financial activities for the years ended December 31, 2022 and 2021, with comparative information presented for the year 2020, which has not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. It should be read in conjunction with the accompanying financial statements of the Medical Center. The information and financial data included in the management's discussion and analysis relate to either Heart of the Rockies Regional Medical Center or the Medical Center and its blended component unit, Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (the Foundation), collectively referred to as the Organization.

Financial Highlights

Organization

- Cash and investments increased by \$1,456,335 in 2022 and increased by \$13,305,798 in 2021
- Net position increased in 2022 by \$11,667,880 and increased in 2021 by \$17,040,594

Heart of the Rockies Regional Medical Center (Medical Center)

- Cash and investments increased in 2022 by \$1,068,617, or 2%, and increased in 2021 by \$11,519,355, or 20%
- Net position increased in 2022 by \$11,256,167, or 11%, and increased in 2021 by \$15,254,669, or 17%
- Operating income increased in 2022 by \$2,427,803, or 24%, and increased in 2021 by \$7,797,694, or 351%
- Total operating revenues increased in 2022 by \$16,674,356, or 16%, and increased in 2021 by \$18,720,447, or 21%
- Total operating expenses increased in 2022 by \$14,246,553, or 15%, and increased in 2021 by \$10,923,205, or 13%

Salida Hospital Foundation (Foundation)

- Cash and investments increased by \$387,718, or 14%, in 2022 and increased by \$1,786,443, or 170%, in 2021
- Net position increased by \$411,713, or 15%, in 2022, and increased by \$1,785,925, or 171%, in 2021

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

Using This Annual Report

The Organization's financial statements consist of three statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. These financial statements provide information about the activities of the Organization, including resources held by the Foundation but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

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 Organization's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Organization's net position and changes in them. The Organization's total net position – the difference between assets, liabilities and deferred inflows of resources – are one measure of the Organization's financial health or financial position. Over time, increases or decreases in the Organization's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center'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 Organization.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash and cash equivalents during the reporting periods?"

The Organization's Net Position

The Organization's combined net position, the difference between its assets, liabilities and deferred inflows of resources reported in the statements of net position, increased by \$11,667,880, or 11%, over 2021, as shown in Table 1.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position

Noteworthy changes in the Organization's assets, liabilities and deferred inflows of resources for 2022 are the increases in net patient accounts receivable; investments internally designated by the Board of Directors; other current investments, and the decrease in net capital assets; noncurrent cash and investments and current liabilities.

Changes of note in 2021 are the increases in cash and cash equivalents; net patient accounts receivable; noncurrent cash and investments; current liabilities, and the decrease in investments internally designated by the Board of Directors; other current investments; other current assets; long-term portion of Medicare accelerated payments and long-term debt.

	2022	2021*	2020
Assets			
Cash and cash equivalents	\$ 31,720,393	\$ 32,355,820	\$ 20,544,795
Patient accounts receivable, net	18,428,169	15,775,287	13,365,030
Cash and investments internally designated by Board of Directors, current	19,774,147	16,874,380	27,200,193
Other current investments	1,159,104	130,722	723,656
Other current assets	6,861,111	5,293,548	5,771,993
Capital assets, net	56,057,246	58,796,192	59,608,856
Noncurrent cash and investments	22,189,619	24,026,006	11,612,486
Investment in joint venture	249,020	188,927	214,387
Other assets	984,782	1,934,845	402,099
	<u>\$ 157,423,591</u>	<u>\$ 155,375,727</u>	<u>\$ 139,443,495</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities (including current maturities on long-term debt)	\$ 13,212,961	\$ 20,569,808	\$ 17,104,397
Long-term portion of Medicare accelerated payments	-	-	4,919,017
Long-term debt	24,398,565	26,053,261	27,390,000
Deferred inflows of resources	1,119,801	1,728,274	46,291
	<u>38,731,327</u>	<u>48,351,343</u>	<u>49,459,705</u>
Net Position			
Net investment in capital and lease assets Restricted	29,582,301	30,454,312	29,180,094
Expendable	2,108,769	1,869,258	335,770
Nonexpendable	40,000	40,000	40,000
Unrestricted	86,961,194	74,660,814	60,427,926
	<u>118,692,264</u>	<u>107,024,384</u>	<u>89,983,790</u>
	<u>\$ 157,423,591</u>	<u>\$ 155,375,727</u>	<u>\$ 139,443,495</u>

*Restated for Implementation of GASB 87

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

In 2022, the Medical Center saw continued operational and financial success with significant growth in physician clinic and outpatient services and effective expense management, despite lingering effects of the COVID-19 pandemic. The long-standing approach to success of a balanced strategic and operational focus, emphasizing service, people, quality, finance, facilities, growth, and physician relations continued to be foundational to success, and drove additional recognition of and emphasis on the people component with multiple market based salary increases to non-contracted employees and increased sign on bonuses. In 2021, outpatient and clinic volume increased over 2020, in conjunction with effective management of operating costs and productivity, contributed to the Medical Center's increase in cash and cash equivalents. The increase in net patient accounts receivable of \$2,652,882, or 17%, in 2022 represents an increase in net days outstanding from 57.0 to 57.6 and an overall growth in services with associated 16% increase in gross revenue. Critical short staffing in patient registration, billing and financial counseling positions continued to challenge the Medical Center's revenue cycle performance throughout 2022. The department transitioned from interim to permanent directorship as of September and has continued to operate in close collaboration with senior leadership.

The Medical Center operates the main hospital and outpatient pavilion (completed in 2019), and four rural health clinics, two of which are outside its district, to continue to increase its presence as a regional healthcare provider. Expansion of the Buena Vista Rural Health Clinic, in the northern part of the district, to add an outpatient services wing was completed in early 2021 and additional land improvements were completed in 2022 to support the wider medical campus development. In addition, capital assets net of depreciation in 2022 and 2021 were impacted by the annual acquisition of new and replacement capital equipment, disposal of retired equipment and an increase in accumulated depreciation.

In 2022, other current assets increased by \$1,567,563, or 30%, primarily due to an increase in inventories of \$1,134,993 and a net third-party settlement receivable of \$614,525, and in 2021 decreased by \$603,965, or 10%, primarily due to third-party settlements resulting in a net payable of \$5,201,832 as opposed to the net receivable of \$932,509 for 2020.

In 2022, the decrease in cash and cash equivalents and current liabilities is due to repayment of the remaining \$4,151,961 of Medicare accelerated payments and recognition of the final \$400,000 in COVID-19 Testing and Mitigation Provider Relief Funds received in 2020 due to the COVID-19 pandemic, a change in third-party settlements from a net payable of \$5,201,832 to the net receivable of \$614,525, offset by a TABOR refund of \$2,305,881, which resulted from notification to the Medical Center in November 2022 that the Salida Hospital District (the District) had been setting its mill levy for operating purposes in a manner that did not comply with the Taxpayer's Bill of Rights (TABOR). After investigation by the District the Board of Directors determined to issue a voluntary TABOR refund to its property owners to be allocated in equal amount to each property owner in the District on January 1, 2023 as authorized by state law, Colorado case law, and TABOR.

In 2021, the 29-month repayment requirement of the \$8,702,959 in Medicare accelerated payments requested and received in 2020 was advanced beyond projections due to increased Medicare volumes and net revenue realized in 2021. The remaining \$4,151,961 is included in the increase in current liabilities and decrease in long-term portion of Medicare accelerated payments.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

In 2021, the increase in current liabilities is also attributable to a \$3,700,000 Medicare Cost Report settlement payable. In 2020, the increase in current liabilities is attributable to \$3,783,942 in current accelerated Medicare payments and to \$4,030,620 in unearned *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Funds received due to the COVID-19 pandemic.

Long-term debt decreased in 2022 and 2021 with debt service payments made under the terms of the promissory note issued in 2016 to refund the 2006 Revenue Bonds.

In 2022, non-current cash and investments decreased and other current investments increased due to activity in the Medical Center's laddered portfolio as overall maturity dates were extended with rate increases. This corresponds with the increase in current investments internally designated by the Board of Directors.

In 2021, non-current cash and investments increased and other current investments decreased due to rebuilding of the Medical Center's laddered portfolio as investments matured and rates saw marginal increases. This corresponds with the decrease in current investments internally designated by the Board of Directors.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

Operating Results and Changes in the Organization's Net Position

In 2022, the Organization's increase in net position was \$11,667,880, as shown in Table 2. This increase is made up of the following components:

Table 2: Operating Results and Changes in Net Position

	2022	2021*	2020
Operating Revenues			
Net patient service revenue, net	\$ 117,488,130	\$ 100,973,240	\$ 84,147,479
Other operating revenue	<u>5,319,266</u>	<u>5,159,800</u>	<u>3,265,114</u>
Total operating revenues	<u>122,807,396</u>	<u>106,133,040</u>	<u>87,412,593</u>
Operating Expenses			
Salaries, wages and employee benefits	60,808,912	53,539,202	48,559,785
Purchased services and professional fees	9,186,317	8,172,796	6,700,653
Depreciation and amortization	6,105,004	5,952,535	4,991,568
Other operating expenses	<u>34,286,224</u>	<u>28,473,175</u>	<u>24,967,122</u>
Total operating expenses	<u>110,386,457</u>	<u>96,137,708</u>	<u>85,219,128</u>
Operating Income	<u>12,420,939</u>	<u>9,995,332</u>	<u>2,193,465</u>
Nonoperating Revenues (Expenses)			
Property taxes	(1,118,314)	1,106,359	1,027,653
Interest income	680,751	329,002	742,237
Other nonoperating revenues and expenses, net	<u>(451,266)</u>	<u>3,708,043</u>	<u>2,512,900</u>
Net nonoperating revenues (expenses)	<u>(888,829)</u>	<u>5,143,404</u>	<u>4,282,790</u>
Gifts and Grants to Purchase Capital Assets	<u>135,770</u>	<u>1,901,858</u>	<u>685,905</u>
Increase in Net Position	<u><u>\$ 11,667,880</u></u>	<u><u>\$ 17,040,594</u></u>	<u><u>\$ 7,162,160</u></u>

*Restated for Implementation of GASB 87

Operating Income

The first component of the overall change in the Organization's net position for 2022 and 2021 is its operating income or loss – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years the Medical Center has reported operating income.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

The Medical Center's vision is to be the healthcare provider of choice for its region as a world class rural healthcare organization, providing personalized and exceptional healthcare while maintaining a strong financial position in order to withstand the industry environment of regulatory uncertainty, declining reimbursement and increasing costs. Despite ongoing and multiple challenges in the prior two years, including the impact of the COVID-19 pandemic, the Organization experienced a strong performance in 2022.

The 2008 completion of, and relocation to, the replacement facility begun in 2006 established a strategically strong position for the Medical Center's future. A surgical, clinic and support areas expansion followed in 2012 with a further build out in late 2014 providing for a third operating room which opened early 2015. In 2016, the Medical Center established and received accreditation for a cardiac rehab program and in 2017 received Centers for Medicare and Medicaid Services certification of the outpatient dialysis clinic it opened in late 2016, assuring one of the most significant and long-awaited community service needs to patients with end stage renal disease. During this growth in hospital services the Medical Center also focused on expanding primary and specialty physician clinics. After the 2011 acquisition of a rural health clinic in the northern part of its district and the 2013 purchase of a medical office building long occupied as a tenant for the provision of outpatient and clinic services, significant annual growth in physician clinic specialties began in 2014 and continued into 2020 by expanding its regional presence with the addition of two rural health clinics in counties neighboring its district. The Medical Center realized a multiyear goal by receiving Joint Commission accreditation in September of 2020. The Medical Center's operating income for 2022 increased \$2,425,607, or 24%, and for 2021 increased \$7,801,867, or 355%. The primary components of these changes are:

- In 2022 and 2021, an increase in net patient service revenue of \$16,514,890 or 16%, and \$16,825,761, or 20%, respectively
- Gross patient revenues increased by \$34,690,058, or 16%, in 2022 and by \$46,703,984, or 28%, in 2021. Factors include and are more representative of pre-COVID-19 year over year changes:
 - An aggregate price increase of 5% in 2022 and in 2021
 - Discharges decreased by 10% in 2022 and increased by 4% in 2021, although average length of stay decreased by 8% in 2022 and decreased by 2% in 2021. Patient days decreased by 17% in 2022 and increased by 2% in 2021. Third-party payer driven changes in approval of inpatient services is a factor.
 - Total outpatient and clinic visits increased in 2022 by 5% and in 2021 by 24% reflecting a strong recovery from the impact of the COVID-19 pandemic in all service lines
 - Outpatient surgeries increased by 2% in 2022 and by 45% in 2021
 - Emergency department visits increased by 10% in 2022 and increased in 2021 by 18%
 - Rehabilitation services increased by 1% in 2022 and increased by 32% in 2021

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

- Infusion department visits increased by 7% in 2022 and increased by 12% in 2021
- Imaging services in total including CT, MRI, x-rays, fluoroscopy, mammography and nuclear medicine increased by 6% in 2022 and increased by 23% in 2021
- Lab volume increased by 2% in 2022 and increased by 20% in 2021
- Dialysis Clinic treatments increased by 1% in 2022 and increased by 2% in 2021
- The Medical Center recorded a decrease in deductions as a percentage of gross revenue of 0.2% in 2022 and an increase of 3% in 2021. Deductions from gross revenues result from changes to the listed price of services imposed by Medicare and Medicaid reimbursement rules, as well as changes negotiated with other third-party payers.
 - The 2% Medicare sequestration resulted in \$205,195 deductions in 2022 following reimplementation at 1% and 2% effective April and July 1, respectively, and deductions of \$0 in 2021 with the waiver as of May 1, 2020 due to the COVID-19 pandemic.
 - Both 2022 and 2021 deductions have been reduced by Medicaid supplemental payments in the amount of \$7,573,515 and \$5,378,366, respectively, under the Colorado Healthcare Accountability and Sustainability Enterprise Legislation adopted by the state of Colorado. In addition, the cost report settlements decreased Medicare deductions by \$919,033, or 0.4% of gross revenue, in 2022 and by \$3,700,000, or 2% of gross revenue, in 2021. This is primarily due to significant cost and volume changes and the increase in per diem and cost to charge ratio based interim rates.
 - Charity and other deductions decreased \$781,218 (from 0.9% to 0.5% of gross revenue) and increased \$247,189 (although decreased from 1% to 0.9% of gross revenue) in 2021. Supplemental Colorado Indigent Care Program payments under the Medicaid Provider Fee legislation for 2022 in the amount of \$675,206 and for 2021 in the amount of \$680,654 exceeded write-offs by \$195,816 and \$215,153, respectively.
- Salaries, wages and benefits for the Organization's employees increased \$7,267,710, or 14%, in 2022 and \$4,979,417, or 10%, in 2021
 - Employee salaries and benefits increased in 2022 in correlation with an increase of 4.0 full time equivalents (FTEs) in nursing and physician clinic services, and a net 2.7 in all other patient care and support services. The 2021 increase was in part due to an increase of 20.2 FTEs in nursing and physician clinic services, and a net 7.4 in all other patient care and support services.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

- The Medical Center's self-insured employee health plan realized increased expenses of \$1,025,696 in 2022, \$1,146,804 in 2021, and \$658,212 in 2020. This is representative of the lingering impacts of the COVID-19 pandemic on access to services, claims volatility often experienced in small, self-insured plans, and the increase in covered members. Employee contribution rates were not changed over these years in spite of the volatility.
- The 2022 increase was also driven by multiple 10% and 20% retention and recruitment based salary increases across all positions awarded throughout the year in conjunction with market analyses. Increases in both 2022 and 2021 were also attributable to the standard average performance based salary increases of 3%. These increases contributed to success in the Medical Center's retention and recruitment efforts with a turnover rate of 7% and 13% in 2022 and 2021, respectively, well below its benchmark of 18.5%.
- Depreciation and amortization expense increased by \$152,469 to \$6,105,004, or 6% of total operating expenses, in 2022 and increased by \$960,967 to \$5,952,535, also 6% of total operating expenses, in 2021
 - Depreciation and amortization expense is driven by the cost of capital and lease assets purchased and their estimated useful lives. The bulk of depreciation expense relates to the buildings, land improvements and fixed equipment owned by the hospital, notably the Intensive Care negative air room remodel and a parking lot addition at the main campus in 2022, completion of two phases of the Buena Vista clinic expansion and remodel in 2022 and 2021, and the lab expansion completed in 2020.
 - Major moveable equipment accounts for about 36% of total depreciation expense. In 2022, the largest additions to major moveable equipment were a replacement C-arm and fluoroscope, new thulium laser to support the growing urology service line and several pieces of equipment for the new dermatology clinic. Both 2022 and 2021 also included new and updated surgical and diagnostic equipment as well as information technology upgrades, particularly an upgraded PACS for imaging storage and retrieval .
- Purchased services and professional fees increased by \$1,013,521, or 12%, in 2022 and increased by \$1,472,143, or 22%, in 2021. Purchased services and professional fees are impacted by a number of operational outcomes.
 - In 2022, the Medical Center continued to experience the recruiting challenges experienced in 2021 and incurred agency staffing costs in the medical/surgical, ICU, imaging, cardiopulmonary, emergency department and surgical services departments, as well as for coding services. Additionally, an independent contractor filled the Health Information Management position for ten months in 2021 due to recruiting delays driven by the COVID-19 pandemic. In both 2022 and 2021, the volume increases in lab services drove a corresponding increase in use of third-party laboratories with increased volumes and availability of pain management, cardiology and pulmonology providers also a factor.
- Supplies expense increased by \$4,457,902, or 24%, in 2022 and by \$3,106,744, or 20%, in 2021

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

- Medical and departmental supplies, driven by volume and service line changes, increased by 14% in 2022 and 24% in 2021
- Pharmaceutical expense increased by 35% in 2022 and 21% in 2021 including volume variances in both the hospital and retail pharmacies, of 37% and 17%, respectively. Infusion services saw continued growth with a 7% volume increase in 2022 following the 2021 volume increase of 12% and retail pharmacy volumes increased 27% over 2021. The urology, general surgery and three rural health clinics also reflected volume driven expense increases in 2022. Internal automated auditing capabilities continued to enable purchasing at discounted 340B pricing despite market increases in many drugs.
- Minor equipment expense increased by 4% in 2022 and 13% in 2021

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the Medical Center, investment income and interest expense.

The Medical Center was formed and is operated primarily to serve residents of the Salida Hospital District in Chaffee, Fremont and Saguache counties, where it levies property taxes generating approximately 1% of gross financial support. Property taxes decreased 201% and increased 8% in 2022 and 2021, respectively, due to a TABOR refund and Statutory Property Tax Revenue Limitations.

Investment income increased 107% in 2022 and decreased 56% in 2021 with changes in the balance of short- and long-term investments in the portfolio and volatile rates. The Medical Center also recorded an unrealized loss on investments of \$717,617 and \$315,812 in 2022 and 2021, respectively. With stabilization of operations after the managing partner ownership change effective June 1, 2021, realized a \$60,094 gain in 2022 (the joint ventured home health and hospice company), following the loss of \$25,460 in 2021.

The Medical Center incurred interest expense in 2022 and 2021 on the long-term debt outstanding that was used to finance the current hospital facility.

Capital and Operating Gifts

The Medical Center receives capital and operating gifts for specific programs from donors or private foundations and other grant sources. Grants in 2022 of \$757,218 and 2021 of \$5,012,593 were recognized. Grants from the Provider Relief Funds and Rural Health Clinic COVID-19 Testing and Mitigation programs through the COVID-19 CARES Act and the Colorado Division of Local Affairs (DOLA) due to the COVID-19 pandemic made up a majority of the amounts recognized: \$400,000 in 2022 and \$4,030,119 in 2021. In both years, DOLA grants were received for equipment purchases for two rural health clinics and in 2022 for the ICU negative air remodel, from the Women's Wellness Connection Program to support access to diagnostic services, and for other operational initiatives.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2022 and 2021

The Foundation received restricted donations in the amount of \$385,227 in 2022 primarily attributable to \$198,565 in estate bequests from previous retirees of community and \$131,000 in funds distributed by the Buena Vista Community Health Board. In 2022 and 2021, the Foundation collected unrestricted donations in the amount of \$39,034 and \$264,374, respectively. Cancer walk donations and additional restricted contributions, including those for the Buena Vista Health Center expansion project, were transferred to the Medical Center in the amounts of \$19,719 and \$16,609, respectively.

The Medical Center's Cash Flows

Changes in the Medical Center's cash flows are consistent with changes in operating revenues and expenses and nonoperating revenues, discussed earlier.

Capital and Lease Assets and Debt Administration

Capital and Lease Assets

At December 31, 2022 and 2021, the Medical Center had \$56,057,246 and \$58,796,192*, respectively, of net capital and lease assets, as detailed in Note 9 to the financial statements. The net change year over year resulted from facility expansion and fixed equipment net additions of approximately \$2,700,000, including land development of approximately \$329,000 and major moveable equipment of approximately \$2,400,000, comprising primarily of approximately \$1,352,000 for inpatient, surgical, ancillary and clinic services equipment, approximately \$353,000 for IT and EHR technology, and approximately \$206,000 for facilities infrastructure and equipment; offset by an increase in accumulated depreciation of \$5,400,000.

Debt

The Medical Center refunded its \$30,200,000 of non-rated 30-year tax-exempt revenue bonds, issued at a 5.25% fixed rate, through a privately placed 20-year promissory note at a 2.96% fixed rate. The transaction included additional financing of \$10,000,000 which was used to replenish cash reserves the Medical Center expended on its outpatient pavilion, laboratory and parking expansion projects. The Medical Center had \$25,910,000 and \$27,390,000 outstanding in notes payable at December 31, 2022 and 2021, respectively. The Medical Center's formal debt issuances are subject to limitations imposed by state law.

Other Economic Factors

It is management's opinion that several factors contribute to the Medical Center's financial risks. These include but are not limited to physician and staff recruitment and retention challenges, lack of affordable housing and below average income trends within the Medical Center's service area; impact of healthcare legislation at both the national and state levels focused on repeal of or changes to the Patient Protection and *Affordable Care Act* and implementation of a Colorado Public Option payer system.

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2022 and 2021**

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center's Administration at 719.530.2231.

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Net Position
December 31, 2022 and 2021**

Assets

	2022	2021*
Current Assets		
Cash and cash equivalents	\$ 31,720,393	\$ 32,355,820
Certificates of deposit	1,159,104	130,722
Patient accounts receivable, net of allowance for uncollectible accounts; 2022 - \$6,730,101 and 2021 - \$4,207,033	18,428,169	15,775,287
Inventories	4,460,816	3,325,823
Prepaid expenses and other	1,785,770	1,967,725
Estimated amounts due from third-party payers	614,525	-
Cash and investments internally designated by Board of Directors, current	19,774,147	16,874,380
Total current assets	77,942,924	70,429,757
Noncurrent Cash and Investments		
Cash and investments internally designated by Board of Directors	20,064,850	21,088,366
Certificates of deposit	-	1,028,382
Externally restricted by donors	2,124,769	1,909,258
Total noncurrent cash and investments	22,189,619	24,026,006
Investment in Joint Venture	249,020	188,927
Capital and Lease Assets, Net	56,057,246	58,796,192
Other Assets		
Lease receivable	238,668	378,687
Other receivable	-	368,591
Property taxes receivable	746,114	1,187,567
Total assets	\$ 157,423,591	\$ 155,375,727

* Restated for Implementation of GASB 87

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Net Position (continued)
December 31, 2022 and 2021**

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

	2022	2021*
Current Liabilities		
Accounts payable	\$ 5,503,517	\$ 3,508,748
Accrued compensation and paid time off	3,964,558	3,715,851
Current maturities of long-term debt and lease liabilities	1,657,936	1,718,725
Estimated amounts due to third-party payers	-	5,201,832
Other current liabilities	864,950	720,191
Estimated self-insurance costs	1,220,000	1,150,000
Unearned revenue	2,000	402,500
Current portion of Medicare accelerated payments	-	4,151,961
	13,212,961	20,569,808
Other Liabilities		
Long-term debt and lease liabilities	24,398,565	26,053,261
	24,398,565	26,053,261
	37,611,526	46,623,069
Deferred Inflows of Resources		
Lease related	373,687	540,707
Property tax related	746,114	1,187,567
	38,731,327	48,351,343
Net Position		
Net investment in capital and lease assets	29,582,301	30,454,312
Restricted - expendable for		
Scholarships	57,106	12,224
Capital acquisitions	1,509,504	1,500,000
Other	542,159	357,034
Restricted nonexpendable	40,000	40,000
Unrestricted	86,961,194	74,660,814
	118,692,264	107,024,384
	\$ 157,423,591	\$ 155,375,727

* Restated for Implementation of GASB 87

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2022 and 2021

	2022	2021*
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$3,981,217 and 2021 - \$3,280,588	\$ 117,488,130	\$ 100,973,240
Other operating revenue	5,319,266	5,159,800
Total operating revenues	122,807,396	106,133,040
Operating Expenses		
Salaries and wages	43,892,385	38,705,031
Employee benefits	16,916,527	14,834,171
Supplies	23,290,210	18,832,308
Purchased services	5,312,079	4,446,962
Professional fees	3,874,238	3,725,834
Depreciation and amortization	6,105,004	5,952,535
Provider fee expense	2,437,622	2,480,519
Repairs and maintenance	3,290,287	2,937,456
Lease and rental	68,360	59,640
Utilities	984,906	849,381
Insurance	472,723	456,325
Other expenses	3,742,116	2,857,546
Total operating expenses	110,386,457	96,137,708
Operating Income	12,420,939	9,995,332
Nonoperating Revenues (Expenses)		
Property taxes	(1,118,314)	1,106,359
Interest income	680,751	329,002
Noncapital grants and gifts	1,127,140	4,940,253
Loss on investments	(717,617)	(315,812)
Interest expense	(819,554)	(862,149)
Gain (loss) on sale of capital assets	(13,749)	5,337
Gain (loss) on investment in equity investee	60,094	(25,460)
Other	(87,580)	(34,126)
Total nonoperating revenues (expenses)	(888,829)	5,143,404
Excess of Revenues Over Expenses Before Capital Gifts	11,532,110	15,138,736
Gifts and Grants to Purchase Capital Assets	135,770	1,901,858
Increase in Net Position	11,667,880	17,040,594
Net Position, Beginning of Year	107,024,384	89,983,790
Net Position, End of Year	\$ 118,692,264	\$ 107,024,384

* Restated for Implementation of GASB 87

See Notes to Financial Statements

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021*
Cash Flows from Operating Activities		
Receipts from, and on behalf of, patients	\$ 105,044,737	\$ 100,179,781
Payments to suppliers and contractors	(31,605,868)	(26,300,034)
Payments to employees	(60,560,205)	(52,800,214)
Other payments, net	(5,105,299)	(3,982,899)
Net cash provided by operating activities	7,773,365	17,096,634
Cash Flows from Noncapital Financing Activities		
Property taxes supporting operations	(1,118,314)	1,106,359
Noncapital grants and gifts	578,363	1,093,573
Other nonoperating expense	(87,580)	(34,126)
Net cash provided by (used in) noncapital financing activities	(627,531)	2,165,806
Cash Flows from Capital and Related Financing Activities		
Gifts to purchase capital assets	135,770	1,901,858
Principal paid on long-term debt and lease liabilities	(1,719,110)	(1,608,514)
Interest paid on long-term debt and lease liabilities	(830,506)	(878,373)
Purchase of capital and lease assets	(3,403,564)	(5,609,246)
Proceeds from the sale of fixed assets	16,500	7,883
Net cash used in capital and related financing activities	(5,800,910)	(6,186,392)
Cash Flows from Investing Activities		
Purchase of investments	(25,284,373)	(34,807,481)
Proceeds from disposition of investments	22,950,902	34,771,888
Investment income	868,817	448,065
Net cash provided by (used in) investing activities	(1,464,654)	412,472
Increase (Decrease) in Cash and Cash Equivalents	(119,730)	13,488,520
Cash and Cash Equivalents, Beginning of Year	35,615,949	22,127,429
Cash and Cash Equivalents, End of Year	\$ 35,496,219	\$ 35,615,949

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Cash Flows (continued)
Years Ended December 31, 2022 and 2021**

	2022	2021*
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 31,720,393	\$ 32,355,820
Cash in noncurrent cash and investments		
Internally designated	1,651,057	1,350,871
Externally restricted by donors	2,124,769	1,909,258
Total cash and cash equivalents	\$ 35,496,219	\$ 35,615,949
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 12,420,939	\$ 9,995,332
Depreciation and amortization	6,105,004	5,952,535
Provision for uncollectible accounts	3,981,217	3,280,588
Changes in operating assets and liabilities		
Patient accounts receivable, net	(6,456,292)	(5,657,390)
Estimated amounts due from and to third-party payers	(5,816,357)	6,134,341
Accounts payable and accrued expenses	2,254,359	2,013,896
Other assets and liabilities	(4,715,505)	(4,622,668)
Net cash provided by operating activities	\$ 7,773,365	\$ 17,096,634
Supplemental Cash Flows Information		
Capital asset acquisition in accounts payable	\$ 564,945	\$ 575,828
Liabilities for lease assets	\$ 3,625	\$ 89,108

* Restated for Implementation of GASB 87

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The financial statements include Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center) and its component unit Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (the Foundation), which has been included in these financial statements using the blended method. The Medical Center and the Foundation are collectively referred to as the Organization. All significant intercompany balances and transactions have been eliminated.

The Medical Center is a 25-bed acute care facility in Salida, Colorado designated as a Critical Access Hospital (CAH). The Medical Center is governed by a Board of Directors, which is elected by Salida Hospital District residents. The Medical Center primarily earns revenues by providing inpatient and outpatient acute care and multi-specialty physician clinic services to patients from and visiting Chaffee, Fremont and Saguache counties.

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Medical Center. The Foundation's primary function is to raise and hold funds to support the Medical Center and its programs.

Although the Medical Center does not control the timing or amount of receipts from the Foundation, the Foundation's resources and related income are restricted by donors for the benefit of the Medical Center. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Medical Center, the Foundation is considered a component unit of the Medical Center and is included in the financial statements using the blended method.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Use of Estimates

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

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization does not consider uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of repurchase agreements secured by ownership in *Public Deposit Protection Act* qualifying securities.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and in nonnegotiable certificates of deposit are carried at fair value. The investment in joint venture is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Supply inventories are stated at the lower of cost, determined by using an average calculated cost which approximates the first-in, first-out method, or market.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Capital Assets

Capital assets 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. The presentation of capital assets has changed to incorporate lease assets as per GASB 87 lease reporting requirements that took effect January 1, 2021. For additional information see Notes 9, 10 and 11. The following estimated useful lives are being used by the Medical Center:

Land improvements	2 – 25 years
Buildings and improvements	5 – 40 years
Equipment	3 – 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Medical Center evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Compensated Absences

Medical Center policies permit all full-time and regular part-time employees who are regularly scheduled to work at least 24 hours per week or 48 hours per pay period to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statements of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Risk Management

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

The Medical Center is self-insured for a portion of its exposure to employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Unearned Revenue

The Medical Center received distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Fund and Rural Health Clinic COVID-19 Testing and Mitigation Programs. These distributions are not subject to repayment, provided the Medical Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. Unearned revenue represents the balance of the economic support that has been received but not yet used for its intended purpose.

Deferred Inflows of Resources

The Medical Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in separate sections of its statements of net position.

Net Position

Net position of the Organization is classified in four components on its statements of net position.

- Net investment in capital and lease assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Organization, such as permanent endowments
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides charity care to patients who qualify under the Colorado Indigent Care Program (the Program) and/or its own charity care policy. The Program provides reimbursement for services at less than the Medical Center’s established rates. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Property Taxes

The Medical Center received approximately 1% of its gross financial support from property taxes in 2022 and 2021. These funds were used to support operations. Taxes are recorded as revenue in the year they are assessed.

In the current year, a TABOR accrual of \$2,305,881 was recorded which resulted from notification to the Medical Center in November 2022 that the District had been setting its mill levy for operating purposes in a manner that did not comply with the Taxpayer’s Bill of Rights (TABOR). After investigation by the District Board of Directors, it was determined to issue a voluntary TABOR refund to its property owners to be allocated in equal amount to each property owner in the District on January 1, 2023 as authorized by state law, Colorado case law, and TABOR.

Property taxes were comprised of the following as of December 31:

	2022	2021
Property tax revenue	\$ 1,187,567	\$ 1,106,359
TABOR refund	(2,305,881)	-
	\$ (1,118,314)	\$ 1,106,359

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Income Taxes

As an essential government function of the counties, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

The Foundation is an entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Implementation of New Accounting Standard

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement requires recognition of lease assets and liabilities for certain leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease contract. It establishes a single model for lease accounting based on the foundational principle that leases are the financing of the right-to-use an underlying asset. Under the statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Effective January 1, 2021, the Medical Center implemented the provisions of GASB Statement No. 87. This amendment did not have an impact on beginning net position.

The impact of the implementation at January 1, 2021 resulted in the recognition of right to use leased assets of \$466,392 and increased lease liabilities of \$466,392. The impact of the implementation also resulted in the recognition of a lease receivable and deferred inflow of resources of \$476,475. The implementation did not result in a change to the 2021 ending net position. For additional information, refer to Note 9, Note 10 and Note 11.

Revisions

Certain immaterial revisions have been made to the 2021 financial statements for property tax receivables and deferred inflows of resources. These revisions did not have a significant impact on the 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.

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

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

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

Note 3: Charity Care

The costs of charity care provided under the Medical Center's charity care policy and participation in the Colorado Indigent Care Program were approximately \$373,200 and \$350,000, respectively, in 2022 and 2021. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. Applications for charitable assistance have been significantly reduced by the Medicaid expansion under the *Affordable Care Act*.

Note 4: Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost-reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor.

Medicaid. Reimbursements for Medicaid inpatient services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member similar to Medicare. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for cost-reimbursable services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center. Reimbursements for Medicaid outpatient services are paid prospectively under the Enhanced Ambulatory Patient Grouping (EAPG) System, to a patient classification system that is based on clinical, diagnostics, and other factors.

Approximately 53% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes discounts from established charges for hospital facility services and percentages above the Medicare Fee Schedule for physician professional services.

The *Colorado Healthcare Affordability Act*, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a fee on hospitals to generate matching funds to the state of Colorado from federal sources. Implementation of this act occurred during April of 2010. HB 1293 was superseded by Senate Bill 17-267 which repealed the Hospital Provider Fee and created the Colorado Healthcare Accountability and Sustainability Enterprise (CHASE), with the following effect on the Medical Center's financial statements:

	2022	2021
Colorado Indigent Care Program - supplemental revenue	\$ 675,206	\$ 680,654
CHASE supplemental payments included in patient service revenue	7,573,515	5,378,366
CHASE fee expense	(2,437,622)	(2,480,519)
Effect of SB 17-267	\$ 5,811,099	\$ 3,578,501

Patient service revenue, after deductions for contractual allowances and uncollectible accounts, is as follows:

	2022		
	Gross Revenue	Contractual Adjustments and Uncollectible Accounts	Net Patient Service Revenue
Medicare	\$ 133,040,219	\$ 85,470,296	\$ 47,569,923
Medicaid	33,043,691	17,899,071	15,144,620
Other	83,234,747	28,461,160	54,773,587
Total	\$ 249,318,657	\$ 131,830,527	\$ 117,488,130

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Notes to Financial Statements
December 31, 2022 and 2021**

	2021		
	Gross Revenue	Contractual Adjustments and Uncollectible Accounts	Net Patient Service Revenue
Medicare	\$ 112,703,065	\$ 71,694,366	\$ 41,008,699
Medicaid	32,367,560	19,899,921	12,467,639
Other	69,557,974	22,061,072	47,496,902
Total	\$ 214,628,599	\$ 113,655,359	\$ 100,973,240

Note 5: Patients Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2022 and 2021 consisted of:

	2022	2021
Medicare	\$ 22,283,257	\$ 15,790,228
Medicaid	4,588,817	3,473,515
Other third-party payers	18,193,003	13,341,013
Patients	2,242,519	2,295,430
	47,307,596	34,900,186
Less allowance for contractals and uncollectible accounts	28,879,427	19,124,899
Total	\$ 18,428,169	\$ 15,775,287

Note 6: Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

The Colorado Public Deposit Protection Act (the PDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance is insured by federal insurance (FDIC) for up to \$250,000 for interest and noninterest bearing accounts. Any excess of deposit accounts over the FDIC limit that is not insured is covered by collateral pledged by the financial institution in accordance with the PDPA. Pledged collateral is reported to, and reviewed by, the Medical Center.

At December 31, 2022 and 2021, \$36,970,689 and \$37,670,107, respectively, of the Organization's bank balances of \$38,351,411 and \$39,300,829, respectively, were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and uncollateralized	\$ -	\$ 1,770,000
Insured (FDIC) or collateralized with securities held by the Organization	1,380,722	1,630,722
Uninsured and collateral held by the pledging financial institution's trust department or agent in other than the Organization's name	36,970,689	35,900,107
	<u>\$ 38,351,411</u>	<u>\$ 39,300,829</u>

Investments

The Organization may legally invest in investments in compliance with the Colorado PDPA.

At December 31, 2022 and 2021, the Organization had the following investments and maturities:

Type	Fair Value	2022	
		Maturities in Years	
		Less than 1	1-5
U.S. Treasury and Agency obligations	\$ 37,857,997	\$ 19,444,204	\$ 18,413,793
Money market funds	191,643	191,643	-
	<u>\$ 38,049,640</u>	<u>\$ 19,635,847</u>	<u>\$ 18,413,793</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

Notes to Financial Statements

December 31, 2022 and 2021

Type	Fair Value	2021	
		Maturities in Years	
		Less than 1	1-5
U.S. Treasury and Agency obligations	\$ 34,066,352	\$ 14,328,857	\$ 19,737,495
Money market funds	483,022	483,022	-
	<u>\$ 34,549,374</u>	<u>\$ 14,811,879</u>	<u>\$ 19,737,495</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Organization’s investment policy is limited to purchasing securities that mature in five years or less from the date of purchase. Money market funds are not permitted to invest in securities with maturities longer than one year and as such are considered to be in compliance with this policy.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Organization’s policy to limit new purchases of investments to only investments in compliance with the Colorado PDPA. At December 31, 2022 and 2021, the Organization’s investments were in compliance with the policy, including the investments in money market funds which are unrated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Organization will not have any single investment exceed one-third of the total portfolio, except for U.S. Treasury securities and federal agencies. At December 31, 2022 and 2021, the Organization’s investment in U.S. Treasury securities and agency obligations constituted 99% of its total investments.

Foreign Currency Risk – This risk is related to adverse effects on the fair value of an investment from changes in exchange rates. The Organization’s investment policy does not permit foreign currency holdings at December 31, 2022.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	\$ 36,652,473	\$ 38,792,203
Money market funds	191,643	483,022
Investments	37,857,997	34,066,352
Interest receivable	138,299	42,500
Cash on hand	2,851	2,851
Total	<u>\$ 74,843,263</u>	<u>\$ 73,386,928</u>

Included in the following statements of net position captions:

	2022	2021
Cash and cash equivalents	\$ 31,720,393	\$ 32,355,820
Certificates of deposit	1,159,104	130,722
Cash and investments internally designated by Board of Directors, current	19,774,147	16,874,380
Noncurrent cash and investments		
Certificates of deposit	-	1,028,382
Internally designated by Board of Directors	20,064,850	21,088,366
Externally restricted by donors	2,124,769	1,909,258
Total	<u>\$ 74,843,263</u>	<u>\$ 73,386,928</u>

Investment Income

Investment income for the years ended December 31 consisted of:

	2022	2021
Interest income/realized gains	\$ 680,751	\$ 329,002
Net change in fair value of investments - unrealized gains and losses	(717,617)	(315,812)
Total	<u>\$ (36,866)</u>	<u>\$ 13,190</u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Note 7: Disclosures About Fair Value of Assets

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

The Organization has the following recurring fair value measurements as of December 31, 2022 and 2021:

- Money market funds of \$191,643 and \$483,022, respectively, are valued using quoted market prices (Level 1 inputs)
- U.S. Treasury and Agency obligations of \$37,857,997 and \$34,066,352, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset (Level 2 inputs)

Note 8: Investment in Joint Venture

The investment in joint venture relates to a 50% ownership in Enhabit Home Health and Hospice, LLC. The joint venture began operations on January 1, 2006. Financial positions and results of operations of the investee are summarized below:

	2022 (Unaudited)	2021 (Unaudited)
Current assets	\$ 858,121	\$ 1,549,043
Property and other long-term assets, net	47,120	85,794
Total assets	905,241	1,634,837
Current liabilities	407,201	1,237,575
Long-term liabilities	-	19,408
Total liabilities	407,201	1,256,983
Members' equity	\$ 498,040	\$ 377,854
Net revenues	\$ 2,248,198	\$ 1,344,354
Net income (loss)	\$ 120,186	\$ (50,921)

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

Note 9: Capital and Lease Assets

Capital and lease assets activity for the years ended December 31, 2022 and 2021 are as follows. The presentation of capital assets has changed to incorporate lease assets as per the implementation of GASB 87 lease reporting requirements effective January 1, 2021.

	2022				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 2,259,493	\$ -	\$ -	\$ 6,383	\$ 2,265,876
Land improvements	9,483,749	-	(1,589)	330,431	9,812,591
Buildings and improvements	40,626,032	-	-	380,898	41,006,930
Equipment	52,577,193	1,821,862	(671,646)	1,213,950	54,941,359
Construction in progress	821,750	1,545,709	-	(1,933,319)	434,140
	<u>105,768,217</u>	<u>3,367,571</u>	<u>(673,235)</u>	<u>(1,657)</u>	<u>108,460,896</u>
Less accumulated depreciation					
Land improvements	4,369,520	629,223	(1,589)	-	4,997,154
Buildings and improvements	12,549,619	1,565,096	-	-	14,114,715
Equipment	30,428,938	3,671,462	(668,096)	-	33,432,304
	<u>47,348,077</u>	<u>5,865,781</u>	<u>(669,685)</u>	<u>-</u>	<u>52,544,173</u>
Total capital assets, being depreciated	58,420,140	(2,498,210)	(3,550)	(1,657)	55,916,723
Lease assets (equipment)	561,105	3,694	-	-	564,799
Less accumulated amortization	185,053	239,223	-	-	424,276
	<u>376,052</u>	<u>(235,529)</u>	<u>-</u>	<u>-</u>	<u>140,523</u>
Capital and lease assets, net	<u>\$ 58,796,192</u>	<u>\$ (2,733,739)</u>	<u>\$ (3,550)</u>	<u>\$ (1,657)</u>	<u>\$ 56,057,246</u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

	2021*				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 2,197,668	\$ -	\$ -	\$ 61,825	\$ 2,259,493
Land improvements	8,454,665	9,737	-	1,019,347	9,483,749
Buildings and improvements	36,875,473	10,300	-	3,740,259	40,626,032
Equipment	48,066,743	2,054,415	(342,685)	2,798,720	52,577,193
Construction in progress	5,935,041	2,506,860	-	(7,620,151)	821,750
	<u>101,529,590</u>	<u>4,581,312</u>	<u>(342,685)</u>	<u>-</u>	<u>105,768,217</u>
Less accumulated depreciation					
Land improvements	3,744,881	624,639	-	-	4,369,520
Buildings and improvements	10,985,506	1,564,113	-	-	12,549,619
Equipment	27,190,347	3,578,730	(340,139)	-	30,428,938
	<u>41,920,734</u>	<u>5,767,482</u>	<u>(340,139)</u>	<u>-</u>	<u>47,348,077</u>
Total capital assets, being depreciated	59,608,856	(1,186,170)	(2,546)	-	58,420,140
Lease assets (equipment)	466,392	94,713	-	-	561,105
Less accumulated amortization	-	185,053	-	-	185,053
	<u>466,392</u>	<u>(90,340)</u>	<u>-</u>	<u>-</u>	<u>376,052</u>
Capital and lease assets, net	<u>\$ 60,075,248</u>	<u>\$ (1,276,510)</u>	<u>\$ (2,546)</u>	<u>\$ -</u>	<u>\$ 58,796,192</u>

Note 10: Long-term Obligations and Lease Liabilities

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31, 2022 and 2021:

	2022				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-term debt and lease liabilities					
Note from direct borrowing	\$ 27,390,000	\$ -	\$ 1,480,000	\$ 25,910,000	\$ 1,520,000
Lease liabilities	381,986	3,625	239,110	146,501	137,936
Other long-term liabilities					
Medicare accelerated payments	4,151,961	-	4,151,961	-	-
Total long-term liabilities	<u>\$ 31,923,947</u>	<u>\$ 3,625</u>	<u>\$ 5,871,071</u>	<u>\$ 26,056,501</u>	<u>\$ 1,657,936</u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

	2021*				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-term debt and lease liabilities					
Note from direct borrowing	\$ 28,825,000	\$ -	\$ 1,435,000	\$ 27,390,000	\$ 1,480,000
Lease liabilities	466,392	89,108	173,514	381,986	238,725
Other long-term liabilities					
Medicare accelerated payments	8,702,959	-	4,550,998	4,151,961	4,151,961
Total long-term liabilities	\$ 37,994,351	\$ 89,108	\$ 6,159,512	\$ 31,923,947	\$ 5,870,686

* Restated for Implementation of GASB 87

Note from Direct Borrowing

The note payable to bank, in the original amount of \$23,555,000, is due October 1, 2036. Additionally, the Medical Center borrowed an additional \$10,000,000, to fund the construction, improvement, and equipping of hospital facilities. These proceeds were received on October 1, 2018. Principal on the note is payable annually and interest is payable semi-annually on each April 1 and October 1 with interest at 2.96%.

The Organization's outstanding note from direct borrowing of \$25,910,000 is secured by the Medical Center's net revenues. This outstanding note contains a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due as listed in the events of default in the agreement.

The debt service requirements for the note from direct borrowing as of December 31, 2022, are as follows:

Year Ended December 31,	Total to be Paid	Principal	Interest
2023	\$ 2,286,936	\$ 1,520,000	\$ 766,936
2024	2,286,944	1,565,000	721,944
2025	2,285,620	1,610,000	675,620
2026	2,287,964	1,660,000	627,964
2027	2,288,828	1,710,000	578,828
2028 - 2032	11,439,708	9,335,000	2,104,708
2033 - 2037	9,148,916	8,510,000	638,916
Total	\$ 32,024,916	\$ 25,910,000	\$ 6,114,916

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Medical Center requested accelerated Medicare payments as provided for in the CARES Act, which allowed for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts were expected to be recaptured by CMS according to the payback provisions.

The payback period was to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump-sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the years ended December 31, 2022 and 2021, Medicare had applied approximately \$4,152,000 and \$4,551,000, respectively, from these accelerated Medicare payment request against filed claims. The Medical Center paid back the accelerated payments in full as of December 31, 2022.

Note 11: Leases

Lessee – Liability

The Medical Center leases equipment, the terms of which expire in various years through 2023. The leases were measured based upon the rate that approximates the Medical Centers incremental borrowing rate at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. These variable payments are not significant.

The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	\$ 141,292	\$ 137,936	\$ 3,356
2024	6,072	5,798	274
2025	1,660	1,557	103
2026	971	935	36
2027	278	275	3
	<u>\$ 150,273</u>	<u>\$ 146,501</u>	<u>\$ 3,772</u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Lessor – Lease Receivable

A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset in the contract for a period of time in an exchange or exchange-like transaction. Nonfinancial assets include buildings. Lease receivables result from lessor contracts measured at the present value of the lease payments expected to be received during the lease term. The Medical Center has recognized lease receivables for a building and an office space lease. Lease receivables amount to \$373,687 and \$499,206 for December 31, 2022 and 2021, respectively, of which the current portion of \$135,019 and \$120,520, respectively, is included in prepaid and other current assets. The long-term portion is recorded as lease receivables in the accompanying financial statements.

Revenue recognized under lease contracts during the years ended December 31, 2022 and 2021 were \$151,776 and \$153,725, respectively, which includes both lease revenue and interest.

Note 12: Risk Management

The Medical Center 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 claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center self-insures the cost of employees’ health care benefits and has purchased annual stop-loss insurance coverage for individual claims exceeding \$100,000 after satisfaction of the aggregate \$35,000 plan specific limit. A provision is accrued for self-insured employee health claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, and frequency of claims. It is possible that the Medical Center’s estimate could change.

Activity in the Medical Center’s accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	2022	2021
Balance, beginning of year	\$ 1,150,000	\$ 900,000
Current year claims incurred and changes in estimates for claims incurred in prior years	7,877,050	7,176,185
Claims and expenses paid	(7,807,050)	(6,926,185)
Balance, end of year	\$ 1,220,000	\$ 1,150,000

The Medical Center is a member of the Colorado Hospital Association Trust for Workers’ Compensation (the Trust). The Trust was formed to provide workers’ compensation insurance to member hospitals in Colorado. The Medical Center pays fixed annual premiums to the Trust. The Trust is self-funded and purchases stop-loss insurance coverage.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2022 and 2021

Note 13: Medical Malpractice Claims

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

Note 14: Restricted Net Position

At December 31, 2022 and 2021, restricted expendable and nonexpendable net position were available for the following purposes:

	2022	2021
Restricted – Expendable For		
Scholarships	\$ 57,106	\$ 12,224
Capital acquisitions	1,509,504	1,500,000
Other	542,159	357,034
	\$ 2,108,769	\$ 1,869,258
Restricted – Nonexpendable		
Endowment restricted by donors for investment in perpetuity	\$ 40,000	\$ 40,000

Note 15: Employee Retirement Plans

The Medical Center has two types of defined contribution retirement plans for its employees. The first is a 401(a) Money Purchase Plan into which employees are required to contribute 3.75% of pre-tax wages in lieu of social security contributions, which are matched by the Medical Center. The second plan is a 457(b) plan which permits employees to make additional pre-tax contributions from their wages up to defined IRS limitations. The Medical Center will contribute up to 3.25% of each employee's pre-tax wages to match contributions made by the employees to the 457(b) plan. In total, the Medical Center's contributions are limited to this combined 7% and only to the extent of each individual employee's contributions to the plans up to a maximum of \$15,000 per employee.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

Pension expense is recorded for the amount of the Medical Center's required contributions and administrative fees determined in accordance with the terms of the plans. The Medical Center has an appointed investment committee, including the Chief Executive Officer and an external investment advisor, to administer the plans. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Medical Center's Board of Directors and management. Employee contributions of pre-tax wages are subject to a maximum set by the Internal Revenue Service.

Contribution rates to all plans for plan members and the Medical Center expressed as a percentage of covered payrolls were 10.30% and 6.20% for 2022 and 9.95% and 6.04% for 2021, respectively. Contributions actually made by plan members and the Medical Center aggregated \$4,519,715 and \$2,719,465 during 2022, and \$3,849,965 and \$2,336,672 during 2021, respectively.

Note 16: Commitments and Contingencies

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss has been recorded for the years ended December 31, 2022 or 2021. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 17: COVID-19 Pandemic and CARES Act Funding

Provider Relief Fund and Rural Health Clinic COVID-19 Testing and Mitigation Programs

During the years ended December 31, 2021 and 2020, the Medical Center received \$400,000 and \$6,490,686, respectively, of distributions from the CARES Act Provider Relief Fund and the Rural Health Clinic COVID-19 Testing and Mitigation Programs. These distributions from the Provider Relief Fund and Rural Health Clinic COVID-19 Testing and Mitigation Programs are not subject to repayment, provided the Medical Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2022 and 2021

The Medical Center is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and Rural Health Clinic COVID-19 Testing and Mitigation Programs and the effect of the pandemic on the Medical Center's operating revenues and expenses through year-end, the Medical Center recognized \$400,000 and \$4,030,120, respectively, during the years ended December 31, 2022 and 2021 related to the Provider Relief Fund and Rural Health Clinic COVID-19 Testing and Mitigation Programs. These payments are recorded as nonoperating revenue in noncapital grants and gifts in the statements of revenues, expenses and changes in net position.

Medicare Accelerated and Advance Payment Program

The Medical Center requested accelerated Medicare payments as provided for in the CARES Act as discussed in Note 10.

Supplementary Information

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Combining Statement of Net Position
December 31, 2022**

Assets

	Medical Center	Foundation	Eliminations	Combined
Current Assets				
Cash and cash equivalents	\$ 30,989,918	\$ 730,475	\$ -	\$ 31,720,393
Certificates of deposit	1,028,382	130,722	-	1,159,104
Patient accounts receivable, net of allowance of \$6,730,101	18,428,169	-	-	18,428,169
Inventories	4,460,816	-	-	4,460,816
Prepaid expenses and other	1,761,770	24,000	-	1,785,770
Estimated amounts due from third-party payers	614,525	-	-	614,525
Cash and investments internally designated by Board of Directors, current	<u>19,774,147</u>	<u>-</u>	<u>-</u>	<u>19,774,147</u>
Total current assets	<u>77,057,727</u>	<u>885,197</u>	<u>-</u>	<u>77,942,924</u>
Noncurrent Cash and Investments				
Cash and investments internally designated by Board of Directors	19,700,013	364,837	-	20,064,850
Externally restricted by donors	<u>127,991</u>	<u>1,996,778</u>	<u>-</u>	<u>2,124,769</u>
Total noncurrent cash and investments	<u>19,828,004</u>	<u>2,361,615</u>	<u>-</u>	<u>22,189,619</u>
Investment in Joint Venture	<u>249,020</u>	<u>-</u>	<u>-</u>	<u>249,020</u>
Capital and Lease Assets, Net	<u>56,057,246</u>	<u>-</u>	<u>-</u>	<u>56,057,246</u>
Other Assets				
Lease receivable	238,668	-	-	238,668
Property tax receivable	<u>746,114</u>	<u>-</u>	<u>-</u>	<u>746,114</u>
Total assets	<u>\$ 154,176,779</u>	<u>\$ 3,246,812</u>	<u>\$ -</u>	<u>\$ 157,423,591</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Combining Statement of Net Position (continued)
December 31, 2022**

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

	Medical Center	Foundation	Eliminations	Combined
Current Liabilities				
Accounts payable	\$ 5,503,517	\$ -	\$ -	\$ 5,503,517
Accrued compensation and paid time off	3,964,558	-	-	3,964,558
Current maturities of long-term debt and lease liabilities	1,657,936	-	-	1,657,936
Other current liabilities	864,950	-	-	864,950
Estimated self-insurance costs	1,220,000	-	-	1,220,000
Unearned revenue	-	2,000	-	2,000
	<u>13,210,961</u>	<u>2,000</u>	<u>-</u>	<u>13,212,961</u>
Total current liabilities				
	<u>13,210,961</u>	<u>2,000</u>	<u>-</u>	<u>13,212,961</u>
Other Liabilities				
Long-term debt and lease liabilities	<u>24,398,565</u>	<u>-</u>	<u>-</u>	<u>24,398,565</u>
Total other liabilities	<u>24,398,565</u>	<u>-</u>	<u>-</u>	<u>24,398,565</u>
Total liabilities	<u>37,609,526</u>	<u>2,000</u>	<u>-</u>	<u>37,611,526</u>
Deferred Inflows of Resources				
Lease related	373,687	-	-	373,687
Property tax related	<u>746,114</u>	<u>-</u>	<u>-</u>	<u>746,114</u>
Total liabilities and deferred inflows of resources	<u>38,729,327</u>	<u>2,000</u>	<u>-</u>	<u>38,731,327</u>
Net Position				
Net investment in capital and lease assets	29,582,301	-	-	29,582,301
Restricted - expendable for				
Scholarships	-	57,106	-	57,106
Capital acquisitions	-	1,509,504	-	1,509,504
Other	87,991	454,168	-	542,159
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	<u>85,737,160</u>	<u>1,224,034</u>	<u>-</u>	<u>86,961,194</u>
Total net position	<u>115,447,452</u>	<u>3,244,812</u>	<u>-</u>	<u>118,692,264</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 154,176,779</u>	<u>\$ 3,246,812</u>	<u>\$ -</u>	<u>\$ 157,423,591</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Combining Statement of Net Position
December 31, 2021***

Assets

	Medical Center	Foundation	Eliminations	Combined
Current Assets				
Cash and cash equivalents	\$ 31,646,566	\$ 709,254	\$ -	\$ 32,355,820
Certificates of deposit	-	130,722	-	130,722
Patient accounts receivable, net of allowance of \$4,207,033	15,775,287	-	-	15,775,287
Inventories	3,325,823	-	-	3,325,823
Prepaid expenses and other	1,967,220	505	-	1,967,725
Cash and investments internally designated by Board of Directors, current	16,874,380	-	-	16,874,380
Total current assets	<u>69,589,276</u>	<u>840,481</u>	<u>-</u>	<u>70,429,757</u>
Noncurrent Cash and Investments				
Cash and investments internally designated by Board of Directors	20,871,806	216,560	-	21,088,366
Certificates of deposit	1,028,382	-	-	1,028,382
Externally restricted by donors	130,700	1,778,558	-	1,909,258
Total noncurrent cash and investments	<u>22,030,888</u>	<u>1,995,118</u>	<u>-</u>	<u>24,026,006</u>
Investment in Joint Venture	<u>188,927</u>	<u>-</u>	<u>-</u>	<u>188,927</u>
Capital and Lease Assets, Net	<u>58,796,192</u>	<u>-</u>	<u>-</u>	<u>58,796,192</u>
Other Assets				
Lease receivable	378,687	-	-	378,687
Other receivable	368,591	-	-	368,591
Property tax receivable	1,187,567	-	-	1,187,567
Total assets	<u>\$ 152,540,128</u>	<u>\$ 2,835,599</u>	<u>\$ -</u>	<u>\$ 155,375,727</u>

* Restated for Implementation of GASB 87

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

Combining Statement of Net Position (continued)

December 31, 2021*

Liabilities, Deferred Inflows of Resources and Net Position

	Medical Center	Foundation	Eliminations	Combined
Current Liabilities				
Accounts payable	\$ 3,508,748	\$ -	\$ -	\$ 3,508,748
Accrued compensation and paid time off	3,715,851	-	-	3,715,851
Current maturities of long-term debt and lease liabilities	1,718,725	-	-	1,718,725
Estimated amounts due to third-party payers	5,201,832	-	-	5,201,832
Other current liabilities	720,191	-	-	720,191
Estimated self-insurance costs	1,150,000	-	-	1,150,000
Unearned revenue	400,000	2,500	-	402,500
Current portion of Medicare accelerated payments	4,151,961	-	-	4,151,961
Total current liabilities	20,567,308	2,500	-	20,569,808
Other Liabilities				
Long-term debt and lease liabilities	26,053,261	-	-	26,053,261
Total other liabilities	26,053,261	-	-	26,053,261
Total liabilities	46,620,569	2,500	-	46,623,069
Deferred Inflows of Resources				
Lease related	540,707	-	-	540,707
Property tax related	1,187,567	-	-	1,187,567
Total liabilities and deferred inflows of resources	48,348,843	2,500	-	48,351,343
Net Position				
Net investment in capital and lease assets	30,454,312	-	-	30,454,312
Restricted - expendable for				
Scholarships	-	12,224	-	12,224
Capital acquisitions	-	1,500,000	-	1,500,000
Other	90,700	266,334	-	357,034
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	73,606,273	1,054,541	-	74,660,814
Total net position	104,191,285	2,833,099	-	107,024,384
Total liabilities, deferred inflows of resources and net position	\$ 152,540,128	\$ 2,835,599	\$ -	\$ 155,375,727

* Restated for Implementation of GASB 87

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$3,981,217	\$ 117,488,130	\$ -	\$ -	\$ 117,488,130
Other operating revenue	<u>5,319,266</u>	<u>-</u>	<u>-</u>	<u>5,319,266</u>
Total operating revenues	<u>122,807,396</u>	<u>-</u>	<u>-</u>	<u>122,807,396</u>
Operating Expenses				
Salaries and wages	43,882,035	10,350	-	43,892,385
Employee benefits	16,916,527	-	-	16,916,527
Supplies	23,290,210	-	-	23,290,210
Purchased services	5,310,951	1,128	-	5,312,079
Professional fees	3,874,238	-	-	3,874,238
Depreciation and amortization	6,105,004	-	-	6,105,004
Provider fee expense	2,437,622	-	-	2,437,622
Repairs and maintenance	3,290,287	-	-	3,290,287
Lease and rental	68,360	-	-	68,360
Utilities	984,906	-	-	984,906
Insurance	472,723	-	-	472,723
Other expenses	<u>3,733,315</u>	<u>8,801</u>	<u>-</u>	<u>3,742,116</u>
Total operating expenses	<u>110,366,178</u>	<u>20,279</u>	<u>-</u>	<u>110,386,457</u>
Operating Income (Loss)	<u>12,441,218</u>	<u>(20,279)</u>	<u>-</u>	<u>12,420,939</u>
Nonoperating Revenues (Expenses)				
Property taxes	(1,118,314)	-	-	(1,118,314)
Interest income	666,871	13,880	-	680,751
Noncapital grants and gifts	621,448	525,411	(19,719)	1,127,140
Contributions to the Medical Center	-	(19,719)	19,719	-
Loss on investments	(717,617)	-	-	(717,617)
Interest expense	(819,554)	-	-	(819,554)
Loss on sale of capital assets	(13,749)	-	-	(13,749)
Gain on investment in equity investee	60,094	-	-	60,094
Other	<u>-</u>	<u>(87,580)</u>	<u>-</u>	<u>(87,580)</u>
Total nonoperating revenues (expenses)	<u>(1,320,821)</u>	<u>431,992</u>	<u>-</u>	<u>(888,829)</u>
Excess of Revenues Over Expenses Before Capital Gifts	11,120,397	411,713	-	11,532,110
Gifts and Grants to Purchase Capital Assets	<u>135,770</u>	<u>-</u>	<u>-</u>	<u>135,770</u>
Increase in Net Position	11,256,167	411,713	-	11,667,880
Net Position, Beginning of Year	<u>104,191,285</u>	<u>2,833,099</u>	<u>-</u>	<u>107,024,384</u>
Net Position, End of Year	<u>\$ 115,447,452</u>	<u>\$ 3,244,812</u>	<u>\$ -</u>	<u>\$ 118,692,264</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2021*

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$3,280,588	\$ 100,973,240	\$ -	\$ -	\$ 100,973,240
Other operating revenue	5,159,800	-	-	5,159,800
Total operating revenues	<u>106,133,040</u>	<u>-</u>	<u>-</u>	<u>106,133,040</u>
Operating Expenses				
Salaries and wages	38,695,899	9,132	-	38,705,031
Employee benefits	14,834,171	-	-	14,834,171
Supplies	18,832,308	-	-	18,832,308
Purchased services	4,442,111	4,851	-	4,446,962
Professional fees	3,725,834	-	-	3,725,834
Depreciation and amortization	5,952,535	-	-	5,952,535
Provider fee expense	2,480,519	-	-	2,480,519
Repairs and maintenance	2,937,456	-	-	2,937,456
Lease and rental	59,640	-	-	59,640
Utilities	849,381	-	-	849,381
Insurance	456,325	-	-	456,325
Other expenses	2,853,446	4,100	-	2,857,546
Total operating expenses	<u>96,119,625</u>	<u>18,083</u>	<u>-</u>	<u>96,137,708</u>
Operating Income (Loss)	<u>10,013,415</u>	<u>(18,083)</u>	<u>-</u>	<u>9,995,332</u>
Nonoperating Revenues (Expenses)				
Property taxes	1,106,359	-	-	1,106,359
Interest income	320,386	8,616	-	329,002
Noncapital grants and gifts	4,610,735	346,127	(16,609)	4,940,253
Contributions to the Medical Center	-	(16,609)	16,609	-
Loss on investments	(315,812)	-	-	(315,812)
Interest expense	(862,149)	-	-	(862,149)
Gain on sale of capital assets	5,337	-	-	5,337
Loss on investment in equity investee	(25,460)	-	-	(25,460)
Other	-	(34,126)	-	(34,126)
Total nonoperating revenues (expenses)	<u>4,839,396</u>	<u>304,008</u>	<u>-</u>	<u>5,143,404</u>
Excess of Revenues Over Expenses Before Capital Gifts	14,852,811	285,925	-	15,138,736
Gifts and Grants to Purchase Capital Assets	<u>401,858</u>	<u>1,500,000</u>	<u>-</u>	<u>1,901,858</u>
Increase in Net Position	15,254,669	1,785,925	-	17,040,594
Net Position, Beginning of Year	<u>88,936,616</u>	<u>1,047,174</u>	<u>-</u>	<u>89,983,790</u>
Net Position, End of Year	<u>\$ 104,191,285</u>	<u>\$ 2,833,099</u>	<u>\$ -</u>	<u>\$ 107,024,384</u>

* Restated for Implementation of GASB 87

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**
Budgeted and Actual Revenues and Expenses – Medical Center Only
Year Ended December 31, 2022

	Actual	Budget	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 117,488,130	\$ 113,351,567	\$ 4,136,563
Other operating revenue	<u>5,319,266</u>	<u>6,175,832</u>	<u>(856,566)</u>
	<u>122,807,396</u>	<u>119,527,399</u>	<u>3,279,997</u>
Operating Expenses			
Salaries, wages and employee benefits	60,798,562	61,789,645	991,083
Other operating expenses	<u>49,567,616</u>	<u>45,903,773</u>	<u>(3,663,843)</u>
	<u>110,366,178</u>	<u>107,693,418</u>	<u>(2,672,760)</u>
Operating Income	12,441,218	11,833,981	607,237
Nonoperating Revenues (Expenses), Net	<u>(1,320,821)</u>	<u>548,787</u>	<u>(1,869,608)</u>
Excess of Revenues Over Expenses Before Capital Gifts	<u><u>\$ 11,120,397</u></u>	<u><u>\$ 12,382,768</u></u>	<u><u>\$ (1,262,371)</u></u>

Notes to Schedule

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Appropriations are adopted by resolution in total. There were no supplemental budgets adopted during 2022.