

**SOUTH ROUTH MEDICAL CENTER  
HEALTH SERVICES DISTRICT**

Financial Statements

December 31, 2022

**SOUTH ROUTT MEDICAL CENTER  
HEALTH SERVICES DISTRICT**

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## Independent Auditor's Report

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

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

#### ***Opinion***

We have audited the accompanying financial statements of the South Routt Medical Center Health Services District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the South Routt Medical Center Health Services District as of December 31, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

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

We conducted our audit in accordance with U.S. generally accepted auditing standards (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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

#### **Report on Summarized Comparative Financial Information**

We have previously audited the District's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual on page 13 is 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Cottler + Company, P.C.*

Steamboat Springs, Colorado  
June 28, 2023

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Statement of Net Position**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021)

	2022	2021
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 253,840	\$ 234,559
Accounts receivable, net of allowance	37,854	29,801
Due from other government	1,685	1,729
Property taxes receivable	407,848	394,843
Leases receivable, current portion	21,483	-
Total current assets	722,710	660,932
Noncurrent assets:		
Leases receivable, net of current portion	2,015	-
Capital assets, net of accumulated depreciation	835,261	865,757
Total noncurrent assets	837,276	865,757
Total assets	1,559,986	1,526,689
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	59,800	23,504
Current portion of lease purchase obligation	31,320	30,049
Total current liabilities	91,120	53,553
Noncurrent liabilities:		
Lease purchase obligation, net of current portion	201,141	232,387
Total liabilities	292,261	285,940
<b>Deferred Inflows of Resources:</b>		
Deferred property taxes	407,848	394,843
Deferred lease revenue	23,498	-
Deferred inflows of resources	431,346	394,843
<b>Net Position:</b>		
Net investment in capital assets	602,800	603,321
Restricted for:		
Emergencies	30,822	27,963
Unrestricted	202,757	214,622
Total net position	\$ 836,379	\$ 845,906

See accompanying notes to financial statements.

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2022**  
(with summarized financial information for the year ended December 31, 2021)

	2022	2021
<b>Operating Revenues:</b>		
Patient services:		
Medical	\$ 877,472	\$ 781,247
Less: uncollectible accounts	(297,573)	(273,055)
Patient services, net of uncollectible accounts	579,899	508,192
Operating grants	60,450	84,988
Other income	26,639	32,825
Total operating revenues	666,988	626,005
<b>Operating Expenses:</b>		
Wages, contract labor and benefits	710,516	634,868
Professional fees	59,090	43,977
Laboratory	15,748	13,771
Medical supplies and equipment	150,277	86,032
Office	50,679	36,095
Insurance	20,630	23,542
Cleaning, repairs and maintenance	9,080	8,363
Utilities	18,451	17,050
Depreciation	34,562	33,493
Other	6,156	5,941
Total operating expenses	1,075,189	903,132
Income (loss) from operations	(408,201)	(277,127)
<b>Nonoperating Revenues (Expenses):</b>		
Taxes:		
Property	394,045	364,840
Specific ownership	26,825	26,163
Treasurer's fees	(11,817)	(10,932)
Interest income	8	82
Interest expense	(10,387)	(11,624)
Net nonoperating revenues	398,674	368,529
Change in net position	(9,527)	91,402
Net position, beginning of year	845,906	754,504
Net position, end of year	\$ 836,379	\$ 845,906

See accompanying notes to financial statements.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**  
(with summarized financial information for the year ended December 31, 2021)

	2022	2021
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 571,846	\$ 491,254
Cash received from other sources	87,089	117,813
Cash payments to suppliers of goods or services	(362,201)	(260,819)
Cash payments to employees and contract labor	<u>(642,130)</u>	<u>(606,544)</u>
Net cash provided (used) by operating activities	<u>(345,396)</u>	<u>(258,296)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Taxes received, net of collection fees	<u>409,097</u>	<u>381,591</u>
Net cash provided by non-capital financing activities	<u>409,097</u>	<u>381,591</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Principal payments on long-term debt	(29,975)	(28,738)
Interest payments on long-term debt	(10,387)	(11,624)
Acquisition of capital assets	<u>(4,066)</u>	<u>(5,311)</u>
Net cash provided (used) by capital and related financing activities	<u>(44,428)</u>	<u>(45,673)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest received	<u>8</u>	<u>82</u>
Net cash provided by investing activities	<u>8</u>	<u>82</u>
Net change in cash and cash equivalents	19,281	77,704
Cash and cash equivalents, beginning of year	<u>234,559</u>	<u>156,855</u>
Cash and cash equivalents, end of year	<u>\$ 253,840</u>	<u>\$ 234,559</u>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by Activities:</b>		
Income (loss) from operations	\$ (408,201)	\$ (277,127)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	34,562	33,493
(Increase) decrease in:		
Accounts receivable, net	(8,053)	(16,938)
(Decrease) increase in:		
Accounts payable and accrued expenses	<u>36,296</u>	<u>2,276</u>
Net cash provided (used) by operating activities	<u>\$ (345,396)</u>	<u>\$ (258,296)</u>

See accompanying notes to financial statements.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
**(with summarized financial information as of and for the year ended December 31, 2021)**

**Note 1: Summary of Significant Accounting Policies**

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

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

*Reporting Entity*

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

*Measurement Focus and Basis of Accounting*

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

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

Cash and Cash Equivalents

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

Accounts Receivable, Net

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

Leases

The District is the lessor for leases of a portion of its facilities. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflow of resources is recognized as revenue of the life of the lease term.

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

- The District uses a risk-free rate as the discount rate for its leases
- The lease term includes the noncancellable period of the leases. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessees.

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of and for the year ended December 31, 2021)

**Note 1: Summary of Significant Accounting Policies (continued)**

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

Capital Assets

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

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

	Years
Building	40
Building improvements	20
Equipment	5-10

Deferred Inflows of Resources

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

*Operating and Nonoperating Revenues and Expenses*

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

*Property Taxes*

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

*Use of Estimates*

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

*Comparative Financial Statements*

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
**(with summarized financial information as of and for the year ended December 31, 2021)**

**Note 1: Summary of Significant Accounting Policies (continued)**

*New Accounting Pronouncement*

GASB Statement No. 87, *Leases* (GASB 87), was effective for the District beginning January 1, 2022. GASB 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the 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. This standard requires a lessee to recognize a lease liability and an intangible right-to-use lease asset and requires a lessor to recognize a lease receivable and a deferred inflow of resources.

The District elected not to restate the comparative prior period (December 31, 2021). As a result of implementing GASB 87, the District recognized leases receivable of \$44,831 and deferred inflows of resources of \$44,831 in its statement of net position as of January 1, 2022. There is no effect on net position as a result of the implementation of this standard.

**Note 2: Stewardship, Compliance and Accountability**

*Budgetary Information*

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

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

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

The District did not adopt any supplemental budget appropriations for the year ended December 31, 2022.

*Compliance*

The District's expenditures exceeded appropriations by \$231,875 for the year ended December 31, 2022. The excess expenditures were primarily for personnel costs and medical supplies that were funded from patient services and grants.

*TABOR Amendment*

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

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

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of and for the year ended December 31, 2021)

**Note 2: Stewardship, Compliance and Accountability**

*TABOR Amendment (continued)*

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

TABOR also requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$30,822 of the December 31, 2022 fund balance for this purpose.

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

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

**Note 3: Cash and Cash Equivalents**

*Deposits*

The carrying amount of the District's deposits as of December 31, 2022 and 2021 was \$253,840 and \$234,559, respectively, and bank balances were \$255,840 and \$235,240, respectively. All of the bank balances as of December 31, 2022 and 2021 were covered by federal deposit insurance.

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

**Note 4: Receivables**

*Patient Services*

The District's net accounts receivable from patient services as of December 31, 2022 and 2021 was as follows:

	2022	2021
Accounts receivable	\$ 67,854	\$ 62,801
Allowance for uncollectible accounts	(30,000)	(33,000)
	\$ 37,854	\$ 29,801

*Leases*

The following is the leases receivable schedule by year as of December 31, 2022:

	Principal	Interest	Total
2023	\$ 21,483	\$ 112	\$ 21,595
2024	2,015	5	2,020
Total	\$ 23,498	\$ 117	\$ 23,615

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of and for the year ended December 31, 2021)

**Note 4: Receivables (continued)**

Total lease revenue recognized during the fiscal year ended December 31, 2022 is as follows:

	Principal	Interest	Total Revenue
Medical facilities	\$ 21,333	\$ 262	\$ 21,595
Total	<u>\$ 21,333</u>	<u>\$ 262</u>	<u>\$ 21,595</u>

**Note 5: Capital Assets**

Capital asset activity for the year ended December 31, 2022 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Other capital assets:				
Building	939,599	-	-	939,599
Building improvements	83,923	4,066	-	87,989
Equipment	62,966	-	(1,557)	61,409
Total other capital assets at cost	<u>1,086,488</u>	<u>4,066</u>	<u>(1,557)</u>	<u>1,088,997</u>
Less accumulated depreciation for:				
Building	(200,719)	(23,490)	-	(224,209)
Building improvements	(50,995)	(4,247)	-	(55,242)
Equipment	(23,017)	(6,825)	1,557	(28,285)
Total accumulated depreciation	<u>(274,731)</u>	<u>(34,562)</u>	<u>1,557</u>	<u>(307,736)</u>
Other capital assets, net	<u>811,757</u>	<u>(30,496)</u>	<u>-</u>	<u>781,261</u>
Business-type activities capital assets, net	<u>\$ 865,757</u>	<u>\$ (30,496)</u>	<u>\$ -</u>	<u>\$ 835,261</u>

**Note 6: Long-Term Liabilities**

The District had the following long-term debt as of December 31, 2022:

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

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

**SOUTH ROUNT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of and for the year ended December 31, 2021)

**Note 6: Long-Term Liabilities (continued)**

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Lease purchase obligation	\$ 262,436	\$ -	\$ (29,975)	\$ 232,461	\$ 31,320
	<u>\$ 262,436</u>	<u>\$ -</u>	<u>\$ (29,975)</u>	<u>\$ 232,461</u>	<u>\$ 31,320</u>

Interest expense on the lease purchase obligation during the year ended December 31, 2022 was \$10,387.

Debt service requirements of the lease purchase obligation as of December 31, 2022, assuming future annual appropriation of lease purchase payments, is as follows:

	Principal	Interest	Total
2023	\$ 31,320	\$ 9,042	\$ 40,362
2024	32,622	7,740	40,362
2025	34,025	6,337	40,362
2026	35,464	4,898	40,362
2027	36,964	3,398	40,362
2028-2029	62,066	1,840	63,906
Total	<u>\$ 232,461</u>	<u>\$ 33,255</u>	<u>\$ 265,716</u>

**Note 7: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

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

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

**SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**  
**(with summarized financial information as of and for the year ended December 31, 2021)**

**Note 8: Contingency**

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

**Note 9: Subsequent Events**

The District has evaluated subsequent events through June 28, 2023, the date these financial statements were available to be issued.

**SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2022**

	Original and Final Budget	Actual	Variance
<b>Revenues:</b>			
Patient services:			
Medical	\$ 538,058	\$ 877,472	\$ 339,414
Less: uncollectible accounts	(165,331)	(297,573)	(132,242)
Taxes:			
Property	394,843	394,045	(798)
Specific ownership	9,516	26,825	17,309
Rent	22,784	24,295	1,511
Grants	-	60,450	60,450
Interest	129	8	(121)
Other	4,755	2,344	(2,411)
<b>Total revenues</b>	<b>804,754</b>	<b>1,087,866</b>	<b>283,112</b>
<b>Expenditures:</b>			
Wages, contract labor and benefits	628,065	710,516	(82,451)
Professional fees	48,215	59,090	(10,875)
Laboratory	14,163	15,748	(1,585)
Medical equipment and supplies	51,520	150,277	(98,757)
Office	35,042	50,679	(15,637)
Insurance	20,970	20,630	340
Cleaning, repairs and maintenance	8,808	9,080	(272)
Utilities	18,908	18,451	457
Treasurer's fees	11,845	11,817	28
Other	5,011	6,156	(1,145)
Capital	-	4,066	(4,066)
Debt service:			
Principal	11,670	29,975	(18,305)
Interest	10,780	10,387	393
<b>Total expenditures</b>	<b>864,997</b>	<b>1,096,872</b>	<b>(231,875)</b>
Change in fund balance - non-GAAP basis	(60,243)	(9,006)	<u>\$ 51,237</u>
Adjustments to GAAP basis:			
Loan principal payments		29,975	
Depreciation		(34,562)	
Capitalized expenditures		4,066	
Change in fund balance - GAAP basis		(9,527)	
Fund balance, beginning of year	845,906	845,906	
Fund balance, end of year	<u>\$ 785,663</u>	<u>\$ 836,379</u>	