




# **Haxtun Hospital District**

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

December 31, 2023 and 2022



**Haxtun Hospital District**  
**Contents**  
**December 31, 2023 and 2022**

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## **Independent Auditor's Report**

Board of Directors  
Haxtun Hospital District  
Haxtun, Colorado

### ***Opinion***

We have audited the financial statements of the Haxtun Hospital District (the District), as of and for the year December 31, 2023, 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 Haxtun Hospital District as of December 31, 2023, and the changes in 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 audit 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 Haxtun Hospital District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Prior Year Audited by Other Auditors***

The 2022 financial statements were audited by other auditors, and their report thereon, dated June 21, 2023, expressed an unmodified opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently know 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 Haxtun Hospital District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Haxtun Hospital District's ability to continue as a going concern for 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.

### ***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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The 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 budgeted and actual revenues and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Forvis Mazars, LLP***

**Denver, Colorado  
October 10, 2024**

**Haxtun Hospital District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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**INTRODUCTION**

This management's discussion and analysis of Haxtun Hospital District (the District) provides an overview of the District's financial activities for the years ended December 31, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the District, which begin on page 8.

**USING THIS ANNUAL REPORT**

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

**FINANCIAL HIGHLIGHTS**

- The District's current cash and cash equivalents increased in 2023 by \$315,064, or 7%, compared to a decrease of \$1,630,947, or 26%, in 2022.
- Capital assets increased in 2023 by \$440,869, or 6%, compared to an increase of \$2,464,413, or 45%, in 2022.
- Current liabilities decreased in 2023 by \$238,464, or 7%, compared to a decrease of \$478,135, or 12%, in 2022.
- Net position increased in 2023 by \$105,368, or 1%, compared to an increase \$1,683,035, or 18%, in 2022.
- Total operating revenues increased by \$1,236,635, or 9%, in 2023 compared to an increase of \$820,176, or 7%, in 2022.
- Total operating expenses increased by \$2,051,385, or 16%, in 2023, compared to an increase of \$716,976, or 6%, in 2022.
- Total nonoperating revenues (expenses) decreased by \$461,132, or 48% in 2023, compared to a decrease of \$1,060,305, or 53%, in 2022.

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

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in it. The District's total net position – the difference between assets and liabilities – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether their financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the District.

**THE STATEMENT OF CASH FLOWS**

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

**Haxtun Hospital District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,923,679	\$ 4,608,615	\$ 6,239,562
Patient accounts receivable, net	1,238,233	1,378,372	1,263,418
Other current assets	1,578,538	900,502	735,855
Capital assets, net	8,376,843	7,935,974	5,471,561
Noncurrent cash and cash equivalents	<u>50,368</u>	<u>49,817</u>	<u>49,753</u>
Total assets	<u>\$ 16,167,661</u>	<u>\$ 14,873,280</u>	<u>\$ 13,760,149</u>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	\$ 3,260,255	\$ 3,498,719	\$ 3,976,854
Long-term debt	1,500,000	80,000	164,249
Deferred inflows from property taxes	<u>325,041</u>	<u>317,564</u>	<u>325,084</u>
Total liabilities	5,085,296	3,896,283	4,466,187
<b>NET POSITION</b>			
Net investment in capital assets	6,696,843	7,620,008	5,107,869
Restricted nonexpendable	50,368	49,817	49,753
Unrestricted	<u>4,335,154</u>	<u>3,307,172</u>	<u>4,136,340</u>
Total net position	<u>11,082,365</u>	<u>10,976,997</u>	<u>9,293,962</u>
Total liabilities, deferred inflows, and net position	<u>\$ 16,167,661</u>	<u>\$ 14,873,280</u>	<u>\$ 13,760,149</u>

**THE DISTRICT'S NET POSITION**

The District's net position is the difference between its assets and liabilities reported in the statement of net position. The District's net position increased \$105,368 or 1% in 2023, compared to an increase \$1,683,035, or 18%, in 2022, as shown in Table 1.

**THE DISTRICT'S ASSETS AND LIABILITIES**

The most noteworthy changes in 2023 to the District's statement of net position are the increases in cash and cash equivalents and capital assets, and the decrease in current liabilities. The statement of net position shows that current cash and cash equivalents increased \$315,064 between 2023 and 2022. The increase was primarily driven by collections on accounts receivable from 2022. Also of note in 2023, were net capital asset additions of \$440,869 (as detailed in Note 6) and long-term debt additions of \$1,800,000 (as detailed in Note 8).

**OPERATING GAIN (LOSS)**

The first component of the overall change in the District's net position is its operating gain (loss), which is the difference between operating revenue and the operating expenses incurred to perform those services. In 2023, the District reported an operating loss of (\$674,113), as shown in Table 2. The District's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals.

**THE DISTRICT'S REVENUE AND EXPENSES**

Net patient services revenues of \$14.4 million in 2023 represented a 9% increase over 2022. The District experienced an increase in procedure rates and volume throughout 2023, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2023 by approximately \$927,000, or 12%, as a result of the District's purposeful mission to improve wage rates and benefits for District staff. Purchased services and professional fees decreased by approximately \$79,000, or 3%, as a result of employee

**Haxtun Hospital District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

wage raises and benefit cost sharing increases. These changes resulted in the hiring of new District staff and eliminating travel staff from the District patient care departments. Supplies and other expenses increased approximately \$1,193,000, or 45%, as a result of national supply chain issues, national inflation and shortages.

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

**NONOPERATING REVENUES AND EXPENSES**

Nonoperating revenues and expenses consist primarily of property tax revenue, interest expense, and grants and contributions. Property tax revenues remain consistent between 2023 and 2022. Interest expense decreased 52% in 2023. Grant and contribution revenues decreased between 2023 and 2022 by approximately \$430,000 or 84%, which was primarily the result of a decrease in grant funds received.

**TABLE 2: OPERATING REVENUES, OPERATING EXPENSES, OPERATING GAIN (LOSS), NONOPERATING REVENUES AND EXPENSES, EXCESS OF REVENUES OVER EXPENSES, AND INCREASE IN NET POSITION**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>			
Net patient service revenues	\$ 14,429,742	\$ 13,181,021	\$ 12,371,682
Other operating revenues	<u>93,628</u>	<u>105,714</u>	<u>94,877</u>
Total operating revenues	<u>14,523,370</u>	<u>13,286,735</u>	<u>12,466,559</u>
<b>OPERATING EXPENSES</b>			
Salaries, wages, and employee benefits	8,373,788	7,446,479	7,076,293
Purchased services and professional fees	2,654,812	2,733,353	2,307,187
Supplies and other	3,814,146	2,621,432	2,698,193
Depreciation	<u>354,737</u>	<u>344,834</u>	<u>347,449</u>
Total operating expenses	<u>15,197,483</u>	<u>13,146,098</u>	<u>12,429,122</u>
<b>OPERATING GAIN (LOSS)</b>	<u>(674,113)</u>	<u>140,637</u>	<u>37,437</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Property taxes	355,193	363,541	352,237
Interest income	31,734	2,042	1,661
Interest expense	(4,990)	(10,309)	(15,344)
Other nonoperating revenues and expenses, net	<u>111,699</u>	<u>599,494</u>	<u>1,676,519</u>
Net nonoperating revenues and expenses	<u>493,636</u>	<u>954,768</u>	<u>2,015,073</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE CAPITAL GAINS</b>	(180,477)	1,095,405	2,052,510
Capital grants	<u>285,845</u>	<u>587,630</u>	<u>1,301,148</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ 105,368</u>	<u>\$ 1,683,035</u>	<u>\$ 3,353,658</u>

**Haxtun Hospital District  
Management's Discussion and Analysis  
Years Ended December 31, 2023 and 2022**

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**OTHER ECONOMIC FACTORS**

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**Haxtun Hospital District  
Statements of Net Position  
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,923,679	\$ 4,608,615
Receivables		
Patient accounts receivable, net	1,238,233	1,378,372
Property taxes receivable	328,834	321,377
Estimated amounts due from third-party payors	685,699	-
Other	207,641	80,905
Inventory	298,895	443,426
Prepaid expenses and other	57,469	54,794
	<u>7,740,450</u>	<u>6,887,489</u>
<b>Noncurrent Cash and Investments</b>		
Externally restricted by donors	50,368	49,817
	<u>8,376,843</u>	<u>7,935,974</u>
<b>Capital Assets, Net</b>		
	<u>\$ 16,167,661</u>	<u>\$ 14,873,280</u>
Total assets		

**Haxtun Hospital District  
Statements of Net Position  
December 31, 2023 and 2022**

**(Continued)**

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 260,000	\$ 84,250
Accounts payable	870,117	709,707
Accrued expenses	412,787	653,411
Unearned revenue	1,517,351	1,517,351
Estimated amounts due to third-party payors	<u>200,000</u>	<u>534,000</u>
Total current liabilities	<u>3,260,255</u>	<u>3,498,719</u>
<b>Long-Term Debt</b>	1,500,000	80,000
<b>Deferred Inflows of Resources</b>		
Property taxes	<u>325,041</u>	<u>317,564</u>
Total liabilities and deferred inflows of resources	<u>5,085,296</u>	<u>3,896,283</u>
<b>Net Position</b>		
Net investment in capital assets	6,696,843	7,620,008
Restricted - nonexpendable endowment	50,368	49,817
Unrestricted	<u>4,335,154</u>	<u>3,307,172</u>
Total net position	<u>11,082,365</u>	<u>10,976,997</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,167,661</u>	<u>\$ 14,873,280</u>

**Haxtun Hospital District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectable accounts: 2023 - \$360,125 and 2022 - \$96,000	\$ 14,429,742	\$ 13,181,021
Other revenue	93,628	105,714
Total operating revenues	<u>14,523,370</u>	<u>13,286,735</u>
<b>Operating Expenses</b>		
Salaries and wages	7,001,557	6,403,510
Employee benefits	1,372,231	1,042,969
Supplies	2,481,238	1,683,624
Professional fees and purchased services	2,654,812	2,733,353
Depreciation	354,737	344,834
Insurance	276,426	322,852
Provider fee expense	251,154	267,230
Other expenses	805,328	347,726
Total operating expenses	<u>15,197,483</u>	<u>13,146,098</u>
<b>Operating Income (Loss)</b>	<u>(674,113)</u>	<u>140,637</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	355,193	363,541
Grants and contributions	81,583	511,128
Interest income	31,734	2,042
Interest expense	(4,990)	(10,309)
Other nonoperating revenues	30,116	88,366
Total nonoperating revenues (expenses)	<u>493,636</u>	<u>954,768</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts</b>	<u>(180,477)</u>	<u>1,095,405</u>
<b>Gifts and Grants to Purchase Capital Assets</b>	<u>285,845</u>	<u>587,630</u>
<b>Increase in Net Position</b>	<u>105,368</u>	<u>1,683,035</u>
<b>Net Position, Beginning of Year</b>	<u>10,976,997</u>	<u>9,293,962</u>
<b>Net Position, End of Year</b>	<u>\$ 11,082,365</u>	<u>\$ 10,976,997</u>

**Haxtun Hospital District**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 13,423,446	\$ 12,140,165
Payments to suppliers, contractors, and others	(6,015,731)	(5,251,015)
Payments to employees	(8,614,412)	(7,310,234)
Other receipts (payments), net	<u>90,973</u>	<u>105,714</u>
Net cash used in operating activities	<u>(1,115,724)</u>	<u>(315,370)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes supporting operations	275,774	267,990
Noncapital grants and gifts	81,583	511,128
Other nonoperating revenue	<u>30,116</u>	<u>88,366</u>
Net cash provided by noncapital financing activities	<u>387,473</u>	<u>867,484</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from the issuance of long-term debt	1,800,000	-
Principal paid on long-term debt and lease liabilities	(204,250)	(164,328)
Interest paid on long-term debt and lease liabilities	(4,990)	(10,508)
Proceeds from property taxes for debt service	79,419	94,812
Gifts to purchase capital assets	285,845	587,630
Purchase of capital and lease assets	<u>(943,892)</u>	<u>(2,692,645)</u>
Net cash provided by (used in) capital and related financing activities	<u>1,012,132</u>	<u>(2,185,039)</u>
<b>Cash Flows from Investing Activities</b>		
Interest income	31,734	2,042
Change in balance of externally restricted donation	<u>(551)</u>	<u>(64)</u>
Net cash provided by investing activities	<u>31,183</u>	<u>1,978</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	315,064	(1,630,947)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>4,608,615</u>	<u>6,239,562</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,923,679</u>	<u>\$ 4,608,615</u>

**Haxtun Hospital District  
Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

**(Continued)**

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (674,113)	\$ 140,637
Depreciation	354,737	344,834
Provision for uncollectible accounts	360,125	96,062
Changes in operating assets and liabilities		
Patient accounts receivable, net	(219,986)	(211,016)
Estimated amounts due from and to third-party payers	(1,019,699)	245,000
Accounts payable and accrued expenses	68,072	411,443
Other assets and liabilities	15,140	(1,342,330)
	<u>\$ (1,115,724)</u>	<u>\$ (315,370)</u>
Net cash used in operating activities		
	<u>\$ (1,115,724)</u>	<u>\$ (315,370)</u>
<b>Supplemental Cash Flows Information</b>		
Capital asset acquisition in accounts payable	\$ 3,430	\$ 151,716

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations and Reporting Entity***

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

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

### ***Basis of Accounting and Presentation***

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

### ***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 outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

### ***Cash Equivalents***

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with banks.

### ***Assets Limited as to Use***

Assets limited as to use include assets restricted by donors.

### ***Patient Accounts Receivable***

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

### ***Supplies***

Supply inventories are stated at cost. Costs are determined using the first-in, first-out (FIFO) method or net realizable value.

***Noncurrent Cash and Cash Equivalents***

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

***Capital Assets***

Capital assets in excess of \$5,000 are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The following estimated useful lives are being used by the District:

Buildings and Building Improvements	20 – 40 years
Software and 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.

The District uses the interest rate charged by the lessor as the discount rate, or when not available, leases are measured based upon the rate that approximates the District's incremental borrowing rate at lease commencement.

***Capital and Lease Asset Impairment***

The District 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, 2023 or 2022.

***Compensated Absences***

The District policies permit most employees 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.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date. The liability is recorded in accrued expenses in the statement of net position.

***Risk Management***

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; 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.

***Deferred Inflows of Resources***

The District 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.

**Haxtun Hospital District  
Notes to Financial Statements  
December 31, 2023 and 2022**

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**Net Position**

Net position of the District is classified in four components.

- Net investment in capital 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, use, 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 District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, 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 District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors 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.

**Grants and Contributions**

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

**Charity Care**

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

The District provides charity care to patients who are unable to pay for services. 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 District received approximately 2% and 3% percent of its financial support from property taxes in 2023 and 2022, respectively. These funds were used as follows:

	<u>2023</u>	<u>2022</u>
Levied to support operations	\$ 275,774	\$ 268,729
Levied to support debt service	79,419	94,812
	<u>\$ 355,193</u>	<u>\$ 363,541</u>
Total property tax income		

**Haxtun Hospital District  
Notes to Financial Statements  
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Property taxes are assessed in January and are received in February and June of the succeeding year. Revenue from property taxes is recognized in the year for which the taxes are levied.

***Income Taxes***

As an essential government function of the County, the District 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 District is subject to federal income tax on any unrelated business taxable income.

***Disclosures About Fair Value of Assets and Liabilities***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; 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 assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

***Reclassifications***

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications had no effect on the changes in financial position.

***Implementation of New Accounting Standard***

The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (Statement No. 96) retroactive to January 1, 2022. Statement No. 96 established criteria for the recognition of subscription-based information technology arrangements (SBITAs) for governments. SBITAs result in an intangible asset, right to use subscription assets along with the corresponding subscription liability. Correspondingly, a SBITA covers the subscription period for which the government has a noncancelable right to use of another vendor's information technology software. There was no impact of the implementation at January 1, 2022.

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

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

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

**Haxtun Hospital District  
Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 3. Net Patient Service Revenue**

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

*Medicare.* The District is licensed as a Critical Access Hospital. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis and inpatient nonacute services and outpatient services related to Medicare beneficiaries are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare Administrative Contractor. The District's Medicare cost reports have been audited by Medicare fiscal intermediary through December 31, 2021.

*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. 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.

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

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 District's financial statements:

	<u>2023</u>	<u>2022</u>
CHASE supplemental payments included in patient service revenue	\$ 1,922,060	\$ 2,007,920
CHASE fee expense	<u>(251,154)</u>	<u>(267,230)</u>
Effect of SB 17-267	<u>\$ 1,670,906</u>	<u>\$ 1,740,690</u>

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

	<u>2023</u>	<u>2022</u>
Gross patient service revenue	\$ 18,020,792	\$ 16,650,292
Contractual adjustments and provision for uncollectible accounts	<u>(3,591,050)</u>	<u>(3,469,271)</u>
Total	<u>\$ 14,429,742</u>	<u>\$ 13,181,021</u>

Approximately 64% and 56% of net patient service revenues are from Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, respectively. 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 could change materially in the near term.

**Haxtun Hospital District  
Notes to Financial Statements  
December 31, 2023 and 2022**

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The 2023 net patient service revenue increased approximately \$434,000 due to removal of previously estimated amounts that are no longer necessary as a result of final settlements. The 2023 net patient service revenue also decreased by approximately \$300,000 related to changes in estimated contractual adjustments and provision for uncollectible accounts and actual results.

**Note 4. Patient Accounts Receivable**

The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2023 and 2022 consisted of:

	<u>2023</u>	<u>2022</u>
Medicare	51%	41%
Medicaid	5%	12%
Other third-party payors	25%	33%
Patients	<u>19%</u>	<u>14%</u>
	<u>100%</u>	<u>100%</u>

**Note 5. 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 District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

At December 31, 2023 and 2022, the District's cash deposits had a bank balance of approximately \$5,090,000 and \$4,710,000, respectively.

**Haxtun Hospital District  
Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 6. Capital and Lease Assets**

**Capital Assets**

Capital assets activity for the years ended December 31, 2023 and 2022 are as follows.

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and leasehold improvements	4,290,382	44,475	-	4,134,596	8,469,453
Equipment and software	3,778,599	57,546	-	-	3,836,145
Construction in progress	5,533,896	693,585	-	(4,134,596)	2,092,885
	<u>13,611,167</u>	<u>795,606</u>	<u>-</u>	<u>-</u>	<u>14,406,773</u>
Less accumulated depreciation					
Buildings and leasehold improvements	2,918,611	98,287	-	-	3,016,898
Equipment and software	2,756,582	256,450	-	-	3,013,032
	<u>5,675,193</u>	<u>354,737</u>	<u>-</u>	<u>-</u>	<u>6,029,930</u>
Total capital assets, being depreciated	<u>\$ 7,935,974</u>	<u>\$ 440,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,376,843</u>

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and leasehold improvements	4,023,713	266,669	-	-	4,290,382
Equipment and software	3,706,618	71,981	-	-	3,778,599
Construction in progress	3,063,299	2,470,597	-	-	5,533,896
	<u>10,801,920</u>	<u>2,809,247</u>	<u>-</u>	<u>-</u>	<u>13,611,167</u>
Less accumulated depreciation					
Buildings and leasehold improvements	2,848,540	70,071	-	-	2,918,611
Equipment and software	2,481,819	274,763	-	-	2,756,582
	<u>5,330,359</u>	<u>344,834</u>	<u>-</u>	<u>-</u>	<u>5,675,193</u>
Total capital assets, being depreciated	<u>\$ 5,471,561</u>	<u>\$ 2,464,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,935,974</u>

As of December 31, 2023, construction in progress consists of cost related to the Main Street Clinic project. As of December 31, 2022, construction in progress consists of cost related to the Hospital Infrastructure Project and the Main Street Clinic project. The Hospital Infrastructure Project completed and was placed in service in 2023. The Main Street Clinic Project is expected to be completed in 2024 for a total cost of approximately \$6,300,000 and is being funded through cash from operations, grant funds, and debt issuances. Grant funds for the Main Street Clinic project are conditional and recognized as revenue when qualifying allowable expenses have been incurred to earn the revenue. Grant revenue recognized for capital projects are recorded as gifts and grants to purchase capital assets in the accompanying statements of revenues, expenses, and changes in net position. Debt issuances include the Rural Economic Development Loan Program and Commercial Promissory Note as further described in Note 7.

**Lease Asset and Liability**

The total cost of the asset under lease at December 31, 2022 was \$181,481 net of accumulated depreciation of \$84,259. The noncancelable lease agreement on the asset required monthly payments of \$4,649, with an interest rate of 4.14%. The lease matured on March 2023 and was paid in full. The underlying major moveable equipment was retained by the District and remained in service as of the year ended December 31, 2023.

**Haxtun Hospital District  
Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 7. Long-Term Debt**

The following is a summary of long-term transactions for the District for the years ended December 31, 2023 and 2022:

	<b>2023</b>				<b>Amounts Due Within One Year</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	
Note payable	\$ -	\$ 1,800,000	\$ (120,000)	\$ 1,680,000	\$ 180,000
Go Refunding Bonds, Series 2013	155,000	-	(75,000)	80,000	80,000
Total long-term debt	<u>\$ 155,000</u>	<u>\$ 1,800,000</u>	<u>\$ (195,000)</u>	<u>\$ 1,760,000</u>	<u>\$ 260,000</u>
	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Go Refunding Bonds, Series 2013	\$ 230,000	\$ -	\$ (75,000)	\$ 155,000	\$ 75,000
Promissory note	35,147	-	(35,147)	-	-
Total long-term debt	<u>\$ 265,147</u>	<u>\$ -</u>	<u>\$ (110,147)</u>	<u>\$ 155,000</u>	<u>\$ 75,000</u>

**Note Payable**

On March 17, 2023, the District entered in into a note payable under a Rural Economic Development Loan Program, through a local cooperative, in the amount of \$1,800,000. Principal is due beginning May 1, 2023 in monthly installments of \$15,000 over 10 years due on April 1, 2033. The debt does not incur interest but requires a 1% administrative fee to be paid annually each April, calculated based upon the remining principal balance on the first day of each year that the note is outstanding. The loan is secured by real property.

**General Obligations Refunding Bonds, Series 2013**

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

**Promissory Note**

On October 13, 2017, the District entered into a promissory note agreement for \$200,000 that matured on October 12, 2022.

**Commercial Promissory Note**

On April 24, 2023, the District entered into a promissory note with a financial institution under which draws could be made up to \$2,000,000, maturing April 15, 2024. The District did not draw upon the loan in 2023 or subsequent to year-end and the agreement was not renewed in 2024.

**Haxtun Hospital District  
Notes to Financial Statements  
December 31, 2023 and 2022**

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All long-term debt held by the District is direct borrowing. Principal and interest payments on long-term debt are as follows:

<u>Year Ended December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 262,536	\$ 260,000	\$ 2,536
2025	180,000	180,000	-
2026	180,000	180,000	-
2027	180,000	180,000	-
2028	180,000	180,000	-
2029 - 2033	<u>780,000</u>	<u>780,000</u>	<u>-</u>
Total	<u>\$ 1,762,536</u>	<u>\$ 1,760,000</u>	<u>\$ 2,536</u>

**Note 8. Restricted Net Position**

The District received funds from a contributor to establish an endowment. The earnings on the endowment can be expended to support the District’s activities. The endowed portion and earnings reported on the statement of net position as restricted – nonexpendable endowment total \$50,368 and \$49,817 as of December 31, 2023 and 2022, respectively.

**Note 9. Employee Retirement Plans**

The District has two types of defined contribution retirement plans for its employees.

The first is a 401(a) Money Purchase Plan into which employees are eligible upon hire to participate if the employee works more than 30 hour per week. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the District’s contributions after completion of five years of service. The Board of Directors annually determines the amount, if any, of the District’s contributions to the plan.

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 District will contribute up to 3% of each employee’s pre-tax wages to match contributions made by the employees to the 457(b) plan.

Total pension plan expense for the years ended December 31, 2023 and 2022 was approximately \$90,000 and \$70,000, respectively.

## **Note 10. Commitments and Contingencies**

### ***Litigation***

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss has been recorded for the years ended December 31, 2023 or 2022. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

### ***Medical Malpractice Claims***

The District pays a fixed premium for annual medical malpractice insurance coverage under an occurrence-basis policy. 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 District'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 District is subject to the provisions of the Colorado Governmental Immunity Act, which provides a limitation on the liability of the District.

## **Note 11. Provider Relief Funds**

The District received approximately \$3 million in distributions from the CARES Act Provider Relief Fund (PRF) and the American Rescue Plan (ARP) Rural Distribution during 2020 and 2021. The funds received had terms and conditions established at differing times over the course of the COVID-19 pandemic. If not spent in full or in accordance with terms and conditions the funds are subject to repayment.

During 2023, management appealed to by the Health Resources and Services Administration (HRSA) for clarification on questioned costs related to disallowed costs. These questioned costs totaled \$1,517,351 in capital project costs that were under contract but not expended before June 30, 2021, the first period of performance. The District recorded \$1,517,351 of PRF and ARP in unearned revenue in the statements of net position at December 31, 2023 and 2022. The rest of the PRF funds, \$1,482,649, were recognized as revenue in 2021 and did not have questioned costs.

***Supplementary Information***

**Haxtun Hospital District  
Budget and Actual Revenues and Expenses  
Year Ended December 31, 2023**

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 14,429,742	\$ 13,525,101	\$ 904,641
Other operating revenue	<u>93,628</u>	<u>56,500</u>	<u>37,128</u>
	<u>14,523,370</u>	<u>13,581,601</u>	<u>941,769</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	8,373,788	8,715,252	341,464
Other operating expenses	<u>6,823,695</u>	<u>4,740,795</u>	<u>(2,082,900)</u>
	<u>15,197,483</u>	<u>13,456,047</u>	<u>(1,741,436)</u>
<b>Operating Income (Loss)</b>	(674,113)	125,554	(799,667)
<b>Nonoperating Revenues, Net</b>	<u>493,636</u>	<u>1,445,882</u>	<u>(952,246)</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts</b>	<u>\$ (180,477)</u>	<u>\$ 1,571,436</u>	<u>\$ (1,751,913)</u>