

**SOUTH ROUTH MEDICAL CENTER
HEALTH SERVICES DISTRICT**

Financial Statements

December 31, 2023

**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, 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 the South Routt Medical Center Health Services District as of December 31, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2023. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2022 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 12 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.



Steamboat Springs, Colorado
June 14, 2024

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Net Position
December 31, 2023
(with summarized financial information as of December 31, 2022)

	2023	2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 220,290	\$ 253,840
Accounts receivable, net of allowance	21,540	37,854
Due from other government	-	1,685
Prepaid expense	9,835	-
Property taxes receivable	542,561	407,848
Leases receivable, current portion	-	21,483
Total current assets	794,226	722,710
Noncurrent assets:		
Leases receivable, net of current portion	-	2,015
Capital assets, net of accumulated depreciation	801,376	835,261
Total noncurrent assets	801,376	837,276
Total assets	1,595,602	1,559,986
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	112,000	59,800
Current portion of lease purchase obligation	32,622	31,320
Total current liabilities	144,622	91,120
Noncurrent liabilities:		
Lease purchase obligation, net of current portion	168,625	201,141
Total liabilities	313,247	292,261
Deferred Inflows of Resources:		
Deferred property taxes	542,561	407,848
Deferred lease revenue	-	23,498
Deferred inflows of resources	542,561	431,346
Net Position:		
Net investment in capital assets	600,129	602,800
Restricted for:		
Emergencies	33,295	30,822
Unrestricted	106,370	202,757
Total net position	\$ 739,794	\$ 836,379

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023
(with summarized financial information for the year ended December 31, 2022)

	2023	2022
Operating Revenues:		
Patient services:		
Medical	\$ 965,892	\$ 877,472
Less: uncollectible accounts	(342,335)	(297,573)
Patient services, net of uncollectible accounts	623,557	579,899
Operating grants	16,500	60,450
Insurance recovery	20,551	-
Other income	47,590	26,639
Total operating revenues	708,198	666,988
Operating Expenses:		
Wages, contract labor and benefits	792,627	710,516
Professional fees	72,259	59,090
Laboratory	11,802	15,748
Medical supplies and equipment	191,106	150,277
Office	56,221	50,679
Insurance	21,159	20,630
Cleaning, repairs and maintenance	12,265	9,080
Utilities	24,091	18,451
Depreciation	33,885	34,562
Other	6,629	6,156
Total operating expenses	1,222,044	1,075,189
Income (loss) from operations	(513,846)	(408,201)
Nonoperating Revenues (Expenses):		
Taxes:		
Property	408,929	394,045
Specific ownership	28,587	26,825
Treasurer's fees	(12,269)	(11,817)
Interest income	1,161	8
Interest expense	(9,147)	(10,387)
Net nonoperating revenues	417,261	398,674
Change in net position	(96,585)	(9,527)
Net position, beginning of year	836,379	845,906
Net position, end of year	\$ 739,794	\$ 836,379

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2023
(with summarized financial information for the year ended December 31, 2022)

	2023	2022
Cash Flows From Operating Activities:		
Cash received from customers	\$ 639,871	\$ 571,846
Cash received from other sources	84,641	87,089
Cash payments to suppliers of goods or services	(436,569)	(362,201)
Cash payments to employees and contract labor	(709,225)	(642,130)
	<u>(421,282)</u>	<u>(345,396)</u>
Net cash provided (used) by operating activities		
Cash Flows From Non-Capital Financing Activities:		
Taxes received, net of collection fees	426,932	409,097
	<u>426,932</u>	<u>409,097</u>
Net cash provided by non-capital financing activities		
Cash Flows From Capital and Related Financing Activities:		
Principal payments on long-term debt	(31,214)	(29,975)
Interest payments on long-term debt	(9,147)	(10,387)
Acquisition of capital assets	-	(4,066)
	<u>(40,361)</u>	<u>(44,428)</u>
Net cash provided (used) by capital and related financing activities		
Cash Flows From Investing Activities:		
Interest received	1,161	8
	<u>1,161</u>	<u>8</u>
Net cash provided by investing activities		
Net change in cash and cash equivalents	(33,550)	19,281
Cash and cash equivalents, beginning of year	253,840	234,559
	<u>253,840</u>	<u>234,559</u>
Cash and cash equivalents, end of year	<u>\$ 220,290</u>	<u>\$ 253,840</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by Activities:		
Income (loss) from operations	\$ (513,846)	\$ (408,201)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	33,885	34,562
(Increase) decrease in:		
Accounts receivable, net	16,314	(8,053)
Prepaid expense	(9,835)	-
(Decrease) increase in:		
Accounts payable and accrued expenses	52,200	36,296
	<u>52,200</u>	<u>36,296</u>
Net cash provided (used) by operating activities	<u>\$ (421,282)</u>	<u>\$ (345,396)</u>

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of and for the year ended December 31, 2022)

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.

The District does not recognize lease receivables and deferred inflows of resources for its short-term leases (agreements with a term of 12 months or less). Instead, the lease payments received for those leases are reported as revenue.

SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of and for the year ended December 31, 2022)

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 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, 2022, from which the summarized information was derived.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of and for the year ended December 31, 2022)

Note 1: Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) was effective for the District beginning January 1, 2023. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, the District is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The District had no material SBITAs that qualify for recognition under this new 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, 2023.

Compliance

The District's expenditures exceeded appropriations by \$98,269 for the year ended December 31, 2023. The excess expenditures were primarily for medical supplies that were funded from patient services and District reserve funds.

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, 2023
(with summarized financial information as of and for the year ended December 31, 2022)

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 \$33,295 of the December 31, 2023 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, 2023 and 2022 was \$221,014 and \$253,840, respectively, and bank balances were \$255,840 and \$255,840, respectively. All of the bank balances as of December 31, 2023 and 2022 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, 2023 and 2022 was as follows:

	2023	2022
Accounts receivable	\$ 40,540	\$ 67,854
Allowance for uncollectible accounts	(19,000)	(30,000)
	\$ 21,540	\$ 37,854

SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of and for the year ended December 31, 2022)

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2023 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Other capital assets:				
Building	939,599	-	-	939,599
Building improvements	87,989	-	-	87,989
Equipment	61,409	-	(5,163)	56,246
Total other capital assets at cost	<u>1,088,997</u>	<u>-</u>	<u>(5,163)</u>	<u>1,083,834</u>
Less accumulated depreciation for:				
Building	(224,209)	(23,490)	-	(247,699)
Building improvements	(55,242)	(4,400)	-	(59,642)
Equipment	(28,285)	(5,995)	5,163	(29,117)
Total accumulated depreciation	<u>(307,736)</u>	<u>(33,885)</u>	<u>5,163</u>	<u>(336,458)</u>
Other capital assets, net	<u>781,261</u>	<u>(33,885)</u>	<u>-</u>	<u>747,376</u>
Business-type activities capital assets, net	<u>\$ 835,261</u>	<u>\$ (33,885)</u>	<u>\$ -</u>	<u>\$ 801,376</u>

Note 6: Long-Term Liabilities

The District had the following long-term debt as of December 31, 2023:

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.

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Lease purchase obligation	\$ 232,461	\$ -	\$ (31,214)	\$ 201,247	\$ 32,622
	<u>\$ 232,461</u>	<u>\$ -</u>	<u>\$ (31,214)</u>	<u>\$ 201,247</u>	<u>\$ 32,622</u>

Interest expense on the lease purchase obligation during the year ended December 31, 2023 was \$9,147.

SOUTH ROUTH MEDICAL CENTER HEALTH SERVICES DISTRICT
Notes to Financial Statements
December 31, 2023
(with summarized financial information as of and for the year ended December 31, 2022)

Note 6: Long-Term Liabilities (continued)

Debt service requirements of the lease purchase obligation as of December 31, 2023, assuming future annual appropriation of lease purchase payments, is as follows:

	Principal	Interest	Total
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	38,521	1,841	40,362
2029	23,651	321	23,972
Total	\$ 201,247	\$ 24,535	\$ 225,782

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.

Note 8: Subsequent Events

The District has evaluated subsequent events through June 14, 2024, 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, 2023

	Original and Final Budget	Actual	Variance
Revenues:			
Patient services:			
Medical	\$ 896,495	\$ 965,892	\$ 69,397
Less: uncollectible accounts	(282,983)	(342,335)	(59,352)
Taxes:			
Property	407,848	408,929	1,081
Specific ownership	29,000	28,587	(413)
Rent	20,454	22,728	2,274
Grants	-	16,500	16,500
Interest	-	1,161	1,161
Insurance recovery	-	20,551	20,551
Other	5,000	24,862	19,862
Total revenues	1,075,814	1,146,875	71,061
Expenditures:			
Wages, contract labor and benefits	785,368	792,627	(7,259)
Professional fees	64,100	72,259	(8,159)
Laboratory	14,894	11,802	3,092
Medical equipment and supplies	134,175	191,106	(56,931)
Office	46,993	56,221	(9,228)
Insurance	22,369	21,159	1,210
Cleaning, repairs and maintenance	14,256	12,265	1,991
Utilities	19,791	24,091	(4,300)
Treasurer's fees	-	12,269	(12,269)
Other	2,818	6,629	(3,811)
Capital	18,725	-	18,725
Debt service:			
Principal	6,904	31,214	(24,310)
Interest	12,127	9,147	2,980
Total expenditures	1,142,520	1,240,789	(98,269)
Change in fund balance - non-GAAP basis	(66,706)	(93,914)	<u>\$ (27,208)</u>
Adjustments to GAAP basis:			
Loan principal payments		31,214	
Depreciation		(33,885)	
Change in fund balance - GAAP basis		(96,585)	
Fund balance, beginning of year	836,379	836,379	
Fund balance, end of year	<u>\$ 769,673</u>	<u>\$ 739,794</u>	



June 14, 2024

Board of Directors
South Routt Medical Center Health Services District
PO Box 8
Oak Creek, CO 80467

We have audited the financial statements of the South Routt Medical Center Health Services District (the District) for the year ended December 31, 2023, and have issued our report thereon dated June 14, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility as described by professional standards is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing as communicated to management in the planning phase of the audit.

Significant Audit Findings

Key Audit Matters

U.S. generally accepted auditing standards (GAAS) define key audit matters as those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period.

Although certain areas of the District's financial statements carry higher risk of material misstatement than others, we do not believe that they required significant auditor attention as they did not involve complexity or significant management judgment in the financial statements. Therefore, we have determined that there are no key audit matters to communicate to you or in the independent auditor's report.

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements.

The District adopted Governmental Accounting Standards Board (GASB) *Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended December 31, 2023. The adoption of this accounting standard did not result in the recognition of any intangible right-to-use subscription assets or subscription liabilities as the District has no material arrangements that qualify for recognition under the new standard.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for uncollectible accounts receivable from patient services provided is based upon current collection rate trends that the District has been experiencing and is highly dependent upon the patients' insurance coverage or lack thereof.
- Management's estimate of depreciation of its capital assets is calculated using the straight-line method in accordance w/GAAP and based upon estimated useful lives that are reasonable and consistent with prior years.

Management's process for determining the above estimates is based on firm concepts and reasonable assumptions of future events. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are of particular importance because of their significance to the financial statement users. The most important disclosures affecting the financial statements were:

- The disclosure in Note 2 of the District's expenditures in excess of appropriations is important to users of the financial statements as it describes the purpose of the excess expenditures and the sources used to fund the expenditures.
- The disclosure in Note 4 of the District's allowance for uncollectible patient accounts receivable is significant to users of the financial statements as it discloses the District's estimate of charges outstanding from patients that is not reasonably expected to be collected in the future.
- The disclosure in Note 6 of the lease purchase agreement is important to users of the financial statements as it describes the terms of the agreement and future debt service requirements of the District under the assumption that the lease purchase expenditures are appropriated annually by the board of directors.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The most significant corrected misstatements identified during the audit were as follows:

- Adjustment to correct the beginning net position to the ending net position from the December 31, 2022 audited financial statements. This adjustment can be avoided in future years by posting the proposed adjustments from the audit.
- Adjustment to reverse accrued expenses payable from December 31, 2022.
- Adjustment to correct the recording of payments to Colorado Secure Savings to reduce payroll withholding liabilities instead of reporting payments as expenses.
- Adjustment to correct an error posting medical expenses to the vacation expense account during the year ended December 31, 2023.
- Adjustment to record prepaid insurance as of December 31, 2023 for the District's 2024 insurance premiums.
- Adjustment to report property tax revenues to actual for the year ended December 31, 2023.
- Adjustment to the recorded allowance for uncollectible patient accounts receivable as of December 31, 2023 based upon the trend in collection percentages.
- Adjustment to reduce accounts receivable for long outstanding self-pay balances from prior years as of December 31, 2023.

- Adjustment to record depreciation expense on the District's capital assets.
- Adjustments to remove leases receivable and deferred inflows of resources as the District had no long-term (more than 12 months) leases as of December 31, 2023.

In addition, none of the misstatements detected as a result of audit procedures and uncorrected by the District were material, either individually or in aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management included in the management representation letter dated June 14, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the South Routt Medical Center Health Services District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

