

**SOUTHEAST COLORADO HOSPITAL DISTRICT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**



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**SOUTHEAST COLORADO HOSPITAL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeast Colorado Hospital District
Springfield, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Southeast Colorado Hospital District which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Colorado Hospital District as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeast Colorado Hospital District's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Southeast Colorado 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 Southeast Colorado 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, included on pages 4 through 7, be presented supplement to the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 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.



CliftonLarsonAllen LLP

Dallas, Texas
June 24, 2024

**SOUTHEAST COLORADO HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

Introduction

Southeast Colorado Hospital District (the District) offers readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the District's financial statements, including the notes thereto.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements. The financial statements are composed of the balance sheets, statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements also include notes to the financial statements that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the District's finances.

Required Financial Statements

The District's financial statements report information of the District using accounting methods similar to those used by private sector healthcare organizations. These statements offer short- and long-term information about its activities. The balance sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement can be used to determine whether the District has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

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

Financial Highlights

Total assets increased by \$15,843,180 to \$34,323,275 in 2023. Net capital assets increased by \$7,603,159 to \$13,883,483 in 2023. Total liabilities decreased by \$17,448,251 to \$20,380,548 in 2023. The total margin for fiscal year 2023 was a negative 8.1% and was a negative 2.4% for fiscal year 2022. The operating margin for fiscal year 2023 was a negative 15.1% and was a negative 14.9% for fiscal year 2022.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

Financial Analysis of the Organization

The balance sheet and the statement of revenues, expenses, and changes in net position report the net position of the District and the changes in them. The District's net position – the difference between assets and liabilities – is a way to measure financial health or financial position. Over time, sustained increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

Net Position

A summary of the District's net position at December 31, 2023, 2022, and 2021 is presented in Table 1 below:

**Table 1
Condensed Statements of Net Position (in Thousands)**

BALANCE SHEET	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Current Assets	\$ 15,793	\$ 7,611	\$ 8,299
Noncurrent Cash and Investments	2,673	2,513	2,947
Resident Deposits Held in Trust	11	13	9
Capital Assets, Net	<u>15,846</u>	<u>8,344</u>	<u>8,641</u>
Total Assets	<u>\$ 34,323</u>	<u>\$ 18,481</u>	<u>\$ 19,896</u>
LIABILITIES			
Current Liabilities	\$ 3,677	\$ 1,991	\$ 2,680
Resident Deposits Held in Trust	11	13	9
Long-Term Debt	16,170	-	-
Lease Payable, Net	<u>689</u>	<u>929</u>	<u>1,195</u>
Total Liabilities	<u>20,547</u>	<u>2,933</u>	<u>3,884</u>
DEFERRED INFLOW OF RESOURCES	564	536	495
NET POSITION			
Net Investment in Capital Assets	14,815	7,102	7,093
Unrestricted Position (Deficit)	<u>(1,603)</u>	<u>7,910</u>	<u>8,424</u>
Total Net Position	<u>13,212</u>	<u>15,012</u>	<u>15,517</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 34,323</u>	<u>\$ 18,481</u>	<u>\$ 19,896</u>

As can be seen by Table 1, Total Net Position decreased by approximately \$1,633,000 to \$13.3 million in fiscal year 2023 and decreased \$505,000 to \$15.0 million in fiscal year 2022, a negative 10.9% change in fiscal year 2023 and a negative 3.3% change in fiscal year 2022. The decrease to the District's net position for 2023 is generated from increased operating and financing costs.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the District's historical revenues and expenses for the fiscal years ended December 31, 2023, 2022, and 2021.

Table 2

Condensed Statements of Revenue, Expenses, and Changes in Net Position (in Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues	\$ 19,896	\$ 19,223	\$ 19,102
Expenses	<u>23,089</u>	<u>22,099</u>	<u>21,531</u>
Operating Income (Loss)	(3,193)	(2,876)	(2,429)
Nonoperating Revenues and Expenses	<u>1,307</u>	<u>2,209</u>	<u>5,562</u>
Excess (Deficit) of Revenues over Expenses	(1,886)	(667)	3,133
Capital Grants and Contributions	<u>86</u>	<u>162</u>	<u>331</u>
Increase (Decrease) in Net Position	(1,800)	(505)	3,464
Net Position - Beginning of the Year	<u>15,012</u>	<u>15,517</u>	<u>12,053</u>
Net Position - End of the Year	<u>\$ 13,212</u>	<u>\$ 15,012</u>	<u>\$ 15,517</u>

Operating and Financial Performance

The following summarizes the District's statement of revenue, expenses, and changes in net position for the year ended December 31, 2023.

Volume: Inpatient acute admissions for fiscal year 2023 were 167 compared to 145 in fiscal year 2022 and 168 in fiscal year 2021. Acute patient days for fiscal year 2023 were 587 compared to 474 in fiscal year 2022 and 565 in fiscal year 2021. This is an increase of 23.8% in 2023. The acute length of stay was 3.54 days for fiscal 2023, 3.28 days in fiscal 2022 and 3.23 days in fiscal 2021.

Net Patient and Resident Service Revenue: Net patient and resident service revenue increased \$674,732 or 5.2% in fiscal year 2023 from fiscal year 2022 and \$861,280 or 7.1% in fiscal year 2022 from fiscal year 2021. Revenue deductions, the amount of patient service revenue uncollectible due to contractual agreements and government reimbursement policies, decreased \$366,379 to \$5,909,045 in 2023 from fiscal year 2022 and decreased \$327,273 to \$5,542,666 in fiscal year 2022 from fiscal year 2021.

Other Operating Revenue: Other operating revenue decreased \$3,243 in fiscal year 2023 from fiscal year 2022 and increased \$12,318 in fiscal year 2022 from fiscal year 2021.

Salaries: Salaries decreased by approximately \$373,000 from the previous year, to \$10,057,000 from fiscal year 2022 of \$9,684,000. For fiscal years 2023 and 2022, the District employed a total of 146 and 139 paid full-time equivalent employees, respectively. The District is in a competitive wage market that includes both healthcare and non-healthcare employers.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2023, 2022, AND 2021**

Employee Benefits: Total employee benefits decreased approximately \$657,000 from approximately \$2,586,000 in fiscal 2022, to \$1,929,000 in fiscal 2023. Group health insurance accounted for approximately 77% of the benefit costs.

Supplies and Other Expense: Supply and other expenses increased by \$110,000 or about 6.0% in fiscal year 2023.

Nonoperating Revenue and Expense: The primary sources of nonoperating revenue and expense are from the District tax levy, investment income generated from various investment holdings, and interest expense. For fiscal year 2023, these amounts decreased approximately \$1,590,000 from 2022, primarily due to additional interest expense in 2023.

Net Capital Assets

At the end of fiscal years 2023 and 2022, the District had invested \$14,814,948 and \$7,102,193 in capital assets, net, respectively. The net change in capital assets is primarily a result of minimal capital asset additions, netted against a full year of depreciation expense.

Long-Term Debt and Leases

The District has long-term obligations totaling approximately \$17,201,000 as of fiscal year 2023 and approximately \$1,241,000 as of fiscal year 2022. The increase in 2023 is related to the issuance of bond anticipation notes to assist with the repositioning of the hospital campus.

Economic and Other Factors and Next Year's Budget

The District's board and management considered many factors when setting the fiscal year 2024 budget. Of primary importance in setting the 2024 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Salary market surveys to remain competitive on wages offered
- Federal legislative and economic climate – sequestration and Affordable Care Act impact

Contacting the District's Finance Department

The District's financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the finance department at Southeast Colorado Hospital District, 373 E. Tenth Avenue, Springfield, Colorado 81073.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

ASSETS	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,954,667	\$ 3,272,496
Investments	711,516	695,930
Current Portion of Noncurrent Cash and Investments	9,830,522	-
Accounts Receivable	2,224,056	1,724,217
Inventory	390,121	387,552
Prepaid Expenses and Other Assets	91,928	63,037
Property Tax Receivable	563,599	535,944
Estimated Third Party Payor Settlements	-	912,350
Other Receivables	26,114	19,270
Total Current Assets	15,792,523	7,610,796
NONCURRENT CASH AND INVESTMENTS		
Internally Designated for COVID Costs	50,000	50,000
Internally Designated for Property and Equipment	2,430,135	2,251,901
Internally Designated for Scholarships	98,169	100,112
Internally Designated for Health Insurance	94,925	110,963
Restricted by Trustee - Project Fund	8,578,626	-
Restricted by Trustee - Interest Fund	1,251,896	-
Total Noncurrent Cash and Investments	12,503,751	2,512,976
Less: Current Portion of Noncurrent Cash and Investments	(9,830,522)	-
Noncurrent Cash and Investments, Net of Current Portion	2,673,229	2,512,976
RESIDENT DEPOSITS HELD IN TRUST	11,406	12,647
RIGHT-OF-USE ASSETS, NET	1,962,634	2,063,352
CAPITAL ASSETS		
Land and Land Improvements	215,246	215,246
Buildings and Improvements	6,606,015	6,765,279
Equipment	5,661,957	5,466,537
Construction in Progress	9,733,061	1,559,537
Subtotal	22,216,279	14,006,599
Less: Accumulated Depreciation and Amortization	(8,332,796)	(7,726,275)
Capital Assets, Net	13,883,483	6,280,324
Total Assets	\$ 34,323,275	\$ 18,480,095

See accompanying Notes to Financial Statements.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022**

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	2023	2022
CURRENT LIABILITIES		
Current Portion of Right-of-Use Liabilities	\$ 341,848	\$ 312,474
Accounts Payable and Accrued Expenses	1,487,476	1,484,413
Construction Payable	1,159,647	-
Accrued Interest Payable	320,032	-
Deferred Revenues	185,279	193,823
Estimated Third Party Payor Settlements	182,919	-
Total Current Liabilities	3,677,201	1,990,710
 RESIDENT DEPOSITS HELD IN TRUST	 11,387	 12,578
 LONG-TERM DEBT, Net of Current Portion	 16,170,000	 -
 RIGHT-OF-USE LIABILITY, Net of Current Portion	 689,321	 929,009
Total Liabilities	20,547,909	2,932,297
 DEFERRED INFLOW OF RESOURCES	 563,599	 535,944
 NET POSITION		
Net Investment in Capital Assets	14,814,948	7,102,193
Unrestricted Position (Deficit)	(1,603,181)	7,909,661
Total Net Position	13,211,767	15,011,854
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 34,323,275	\$ 18,480,095

**SOUTHEAST COLORADO HOSPITAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Net Patient and Resident Service Revenues	\$ 13,520,490	\$ 13,032,327
Clinic Revenues	3,386,309	3,042,554
Home Health, Hospice, and Therapy Revenues	2,821,865	2,984,503
Other Revenues	167,018	163,775
Total Operating Revenues	<u>19,895,682</u>	<u>19,223,159</u>
OPERATING EXPENSES		
Salaries and Benefits	13,265,256	12,220,039
Medical and Other Supplies	1,945,921	1,835,425
Purchased and Contracted Services	5,188,249	5,098,201
Repairs and Maintenance	476,577	546,088
Utilities and Telephone	286,802	309,787
State Provider Tax	312,886	304,441
Depreciation and Amortization	948,730	954,777
Other Expenses	664,317	830,304
Total Expenses	<u>23,088,738</u>	<u>22,099,062</u>
OPERATING LOSS	(3,193,056)	(2,875,903)
NONOPERATING REVENUES AND EXPENSES		
Provider Relief Grants	4,981	751,266
Property Tax Revenues	557,654	531,560
Specific Ownership Tax Revenues	60,723	55,165
Investment Return	480,560	14,541
Interest Expense	(539,119)	(46,370)
Loss on Disposal of Property and Equipment	(32,067)	-
Noncapital Grants and Contributions	687,269	652,173
Other Nonoperating Revenues	86,572	250,636
Total Nonoperating Revenues and Expenses	<u>1,306,573</u>	<u>2,208,971</u>
DEFICIT OF REVENUES OVER EXPENSES	(1,886,483)	(666,932)
CAPITAL GRANTS AND CONTRIBUTIONS	<u>86,396</u>	<u>161,595</u>
DECREASE IN NET POSITION	(1,800,087)	(505,337)
Net Position - Beginning of Year	<u>15,011,854</u>	<u>15,517,191</u>
NET POSITION - END OF YEAR	<u><u>\$ 13,211,767</u></u>	<u><u>\$ 15,011,854</u></u>

**SOUTHEAST COLORADO HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 20,491,162	\$ 19,176,338
Payments to Salaries and Benefits	(13,294,147)	(12,210,657)
Payments to Suppliers and Contractors	(8,881,102)	(8,634,047)
Net Cash Used by Operating Activities	(1,684,087)	(1,668,366)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	480,560	14,541
(Purchase) Sale of Investments	(9,846,108)	(4,952)
Net Cash Provided (Used) by Investing Activities	(9,365,548)	9,589
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	618,377	586,725
Noncapital Grants and Contributions	687,269	652,173
Refundable Advances	(3,563)	139,810
Other Nonoperating Revenues	86,572	250,636
Net Cash Provided by Noncapital Financing Activities	1,388,655	1,629,344
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	86,396	161,595
Proceeds from Issuance of Long-Term Debt	16,170,000	-
Principal Paid on Leases	(330,314)	(306,254)
Interest Paid on Leases	(219,087)	(46,370)
Purchases of Capital Assets	(7,171,524)	(657,842)
Loss on Disposition of Capital Assets	(32,067)	-
Net Cash Provided (Used) by Capital Financing Activities	8,503,404	(848,871)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,157,576)	(878,304)
Cash and Cash Equivalents - Beginning of Year	5,785,472	6,663,776
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,627,896	\$ 5,785,472
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 1,954,667	\$ 3,272,496
Internally Designated Investments	2,673,229	2,512,976
Total Cash and Cash Equivalents	\$ 4,627,896	\$ 5,785,472

**SOUTHEAST COLORADO HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest Expense	\$ 219,087	\$ 46,370
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES		
Capital Assets Acquired by Lease Obligation	\$ 120,000	\$ -
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (3,193,056)	\$ (2,875,903)
Adjustments to Reconcile Change in Operating Loss to Net Cash Used by Operating Activities:		
Deprecation and Amortization	948,730	954,777
Changes in:		
Accounts Receivable	(499,839)	1,188,917
Inventory	(2,569)	6,616
Prepaid Expenses and Other Assets	(28,891)	9,382
Estimated Third-Party Payor Settlements	1,095,269	(1,235,784)
Other Receivables	(6,844)	(2,392)
Resident Deposits Held in Trust	50	46
Accounts Payable and Accrued Expenses	3,063	285,975
Net Cash Used by Operating Activities	\$ (1,684,087)	\$ (1,668,366)

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Southeast Colorado Hospital District is a local government unit created for the purpose of providing health care to Baca County, Colorado, and the surrounding area.

Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (Southeast Colorado Hospital District) and its component units. The District has no component units, and the reporting entity consists of the hospital, long-term care facility, and clinic (collectively the District). The District is managed by its elected board of directors, which consists of five members.

Measurement Focus and Basis of Accounting

Basis of accounting refers to where revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District's financial statements are prepared in conformity with accounting principles general accepted in the United States of America as prescribed by the Governmental Accounts Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

The District uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis, using the economic resources measurement focus, based on GASB Codification Topic 1600, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Accounts Receivables

Patient accounts receivable are recorded and established rates as services are provided. Provisions for uncollectible accounts is made in amounts required to maintain an adequate allowance for anticipated losses. In some cases, services to patients are paid for by Medicare, Medicaid, or other third parties. The amount reimbursed is generally based upon the cost of the services provided, as defined by government regulations. Account balances are reduced for the estimated amount of contractual allowances.

Inventories

Inventories are stated at lower of cost or market, calculated using the first-in, first-out method.

Investments and Noncurrent Cash and Investments

Investments and noncurrent cash and investments include funds held by the District under Colorado Public Deposit Protection Act (PDPA). Internally designated investments primarily include assets set aside by the board of directions for future capital improvements and costs related to COVID (see Note 10), over which the board of directors retains control and may at its discretion subsequently use for other purposes. Also includes assets held by trustees under bond indenture agreements. Amounts required to meet current liabilities of the District are included in current assets.

Resident Deposits Held in Trust

The District administers cash accounts on behalf of residents, known as resident trust funds, and these accounts. The accounts maintained on behalf of residents are subject to audit by governmental regulators.

Capital Assets

Capital assets are stated at cost. The District uses the straight-line method for financial statement reporting. Estimated useful lives are 5 to 40 years for equipment and building improvements and 40 years for buildings. Capital assets with unit costs of less than \$5,000 are expensed in the year purchased.

Cost of Borrowing

Borrowing costs attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale were expensed during 2023 and 2022. This is in accordance with the requirements set out in GASB No. 89 "Accounting for Interest Costs Incurred Before the End of a Construction Period" effective for periods beginning after December 15, 2019.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Property Taxes

Under Colorado Law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are recognized as revenue when payable from the County Treasurer.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15. There were no property tax abatements for the years ending December 31, 2023 and 2022.

Deferred Inflows of Resources

Deferred inflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenues) until then. Deferred inflows of resources consist of the unreceived property tax revenues.

Compensated Absences

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. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

At December 31, 2023 and 2022, the District had liabilities for accrued vacation of approximately \$544,000 and \$520,000, respectively, and are included in the Accounts Payable and Accrued Expenses in the accompanying statements of revenues, expenses, and changes in net position.

Net Position

The net position of the District is classified in the following components:

Net Investment in Capital Assets – consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets.

Restricted Expendable – consist of noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Board.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Net Position (Continued)

Restricted Nonexpendable – equal the principal portion of permanent endowments.

Unrestricted – consist of the remaining net position that do not meet the definition of invested in capital assets net of related debt or restricted.

Net Patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are reported as gross revenue and as a contractual adjustment to determine total operating revenue. The cost of the charity care provided was approximately \$45,000 and \$75,000 for the years ending December 31, 2023 and 2022, respectively.

Grants and Contributions

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

Restricted Resources

When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Fair Value Measurements

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

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

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

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

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

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

The level of fair value measurements consists of the following as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
U.S. Government Issues (See Note 4)	\$ -	\$ 9,830,522	\$ -	\$ -

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Leases

The District determines if an arrangement is a lease at inception. Leases are included in capital assets and long-term debt in the statements of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Hospital will exercise that option.

The District has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the District has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

Budgetary Accounting

Revenues and expenditures are controlled by budgetary accounting system in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as in accordance with Colorado Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the Chief Financial Officer submits to the hospital board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to November 20, the budget is legally enacted through passage of a resolution.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Budgetary Accounting (Continued)

4. The Chief Financial Officer is authorized to transfer budgeted amounts between categories, however, any revisions that alter the total expenditures must be approved by the hospital board.
5. Formal budgetary integration should be employed as a management control device during the year.
6. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The District adopted the requirements of the guidance effective January 1, 2023. There was no impact on the statement of net position and statement of revenues, expenses, and changed in net position as a result of adopting GASB Statement No. 96.

Subsequent Events

In preparing these financial statements, the District has considered events and transactions for potential recognition or disclosure through June 24, 2024, the date the financial statements were available to be issued.

NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE

The District has agreements with third-party payors which provide for payments to the organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

As a critical access hospital, all Medicare revenue sources except Ambulance, Home Health, and Hospice are reimbursed on a cost plus 1 % basis. Other Medicare revenues are paid on a per unit of service basis. The hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2020.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Medicaid

Inpatient services provided to Medicaid Program beneficiaries are paid prospectively determined rates per discharge. Outpatient and nursing facility services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been finalized by the Medicaid fiscal intermediary through December 31, 2018.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed based on charges less an adjustment of 9%.

Other

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

Revenue from the Medicare and Medicaid programs accounted for approximately 48% and 32%, respectively, of the District's net patient and resident revenue for 2023 and 49% and 33%, respectively, for 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident revenue in 2023 and 2022 had no change due to removal of allowances previously estimated that are no longer subject to audits, reviews, and investigations.

The following is a summary of the District's gross patient and resident service revenue and revenue adjustments for the years ended December 31:

	2023	2022
Gross Patient and Resident Service Revenues	\$ 26,094,873	\$ 25,053,035
Revenue Adjustments:		
Medicare	(4,192,082)	(3,415,562)
Medicaid	(510,624)	(950,675)
Commercial Insurance and Other	(1,373,700)	(1,176,429)
Provision for Bad Debts	(289,803)	(450,985)
Total Revenue Adjustments	(6,366,209)	(5,993,651)
Total	\$ 19,728,664	\$ 19,059,384

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 ACCOUNTS RECEIVABLE

The District grants credit, without collateral, to its patients and residents, most of whom are local residents and are insured under third-party payor agreements. Patient and resident receivables reported as current assets by the District at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
Receivables from Patients and Their Insurance Carriers	\$ 4,448,408	\$ 3,696,097
Receivables from Medicare	1,284,863	911,764
Receivables from Medicaid	207,846	322,541
Less: Contractual Adjustments and Allowance for Uncollectible Accounts	<u>(3,717,061)</u>	<u>(3,206,185)</u>
Total Accounts Receivable	<u>\$ 2,224,056</u>	<u>\$ 1,724,217</u>

NOTE 4 DEPOSITS, INVESTMENTS, AND NONCURRENT CASH AND INVESTMENTS

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 pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Deposits and investments of the District at December 31 consist of the following:

	<u>2023</u>		<u>2022</u>	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Insured (FDIC)	\$ 824,357	\$ 1,158,715	\$ 614,101	\$ 1,017,686
Uninsured, collateralized under the Public Deposit Protection Act of the State of Colorado	4,495,464	4,490,771	5,850,431	5,971,089
Cash with the County Treasurer	4,396	-	4,036	-
Cash on Hand	26,601	-	25,481	-
Total Cash and Deposits	<u>\$ 5,350,818</u>	<u>\$ 5,649,486</u>	<u>\$ 6,494,049</u>	<u>\$ 6,988,775</u>

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 4,640,971	\$ 5,799,352
Certificates of deposits	709,847	694,697
Total Cash and Deposits	<u>\$ 5,350,818</u>	<u>\$ 6,494,049</u>

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,954,667	\$ 3,272,496
Investments	711,516	695,930
Internally Designated Investments	2,673,229	2,512,976
Residents Deposits Held in Trust	11,406	12,647
Total Cash and Deposits	<u>\$ 5,350,818</u>	<u>\$ 6,494,049</u>

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 4 DEPOSITS, INVESTMENTS, AND NONCURRENT CASH AND INVESTMENTS
(CONTINUED)**

Deposits with a balance of \$4,495,464 and \$5,850,431 and a carrying balance of \$4,490,771 and \$5,971,089 as of December 31, 2023 and 2022, respectively, are uninsured and exposed to custodial risk, and are collateralized with securities held by the pledging financial institutions.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the local government entities may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District had the following investments at December 31:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>
<u>2023</u>			
Certificates of Deposit	6 to 12 Months	\$ 704,847	N/A
COLOTRUST	Under 60 Day Average	5,000	N/A
Total		<u>\$ 709,847</u>	
<u>2022</u>			
Certificates of Deposit	6 to 12 Months	\$ 689,697	N/A
COLOTRUST	Under 60 Day Average	5,000	N/A
Total		<u>\$ 694,697</u>	

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The Certificates of deposit are not rated.

Concentration of Credit Risk – The District has no policy restricting the amount that can be invested in any issuer.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 4 DEPOSITS, INVESTMENTS, AND NONCURRENT CASH AND INVESTMENTS
(CONTINUED)**

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

The District has the following recurring fair value measurement as of December 31, 2022 and 2023:

- COLOTRUST- Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

Investment return consisted of the following for the year ending December 31, 2023 and 2022:

	2023	2022
Interest Income	\$ 405,731	\$ 14,541
Unrealized Gains	74,829	-
Total	\$ 480,560	\$ 14,541

Restricted by Trustee

The District is required to hold funds in various accounts based upon terms in the indenture of trust of the Series 2023 BANs (see Note 9). These funds consist of the following:

Restricted by Trustee – Project Fund

Proceeds from the Series 2023 BANs were deposited into a project fund for construction and related costs of the Project.

Restricted by Trustee – Interest Fund

An interest fund has been established with proceeds of the Series 2023 BANs to pay the interest costs associated with issuing the Series 2023 BANs for the period the indenture is outstanding.

The noncurrent cash and investments are included as follows on the balance sheets at December 31, 2023 and 2022:

	2023	2022
Restricted by Trustee - Project Fund	\$ 8,578,626	\$ -
Restricted by Trustee - Interest Fund	1,251,896	-
Total Assets Limited as to Use	\$ 9,830,522	\$ -

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

**NOTE 4 DEPOSITS, INVESTMENTS, AND NONCURRENT CASH AND INVESTMENTS
(CONTINUED)**

Restricted by Trustee (Continued)

Assets limited as to use are invested in the following:

	Fair Value	
	2023	2022
U.S. Government Issues	\$ 9,830,522	\$ -
	Cost	
	2023	2022
U.S. Government Issues	\$ 9,755,693	\$ -

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expense reported as current liabilities by the District consisted of following at December 31:

	2023	2022
Payable to Employees	\$ 855,044	\$ 779,933
Payable to Supplies	300,432	529,480
Claims Incurred But Not Reported- Health Insurance	332,000	175,000
Total Accounts Payable and Accrued Expenses	\$ 1,487,476	\$ 1,484,413

NOTE 6 CAPITAL ASSETS

Capital assets additions, retirements, and balances consisted of following at December 31:

	December 31, 2022	Additions	Retirements	Transfers	December 31, 2023
Land	\$ 102,227	\$ -	\$ -	\$ -	\$ 102,227
Land Improvements	113,019	-	-	-	113,019
Buildings and Improvements	6,745,279	-	(139,264)	-	6,606,015
Equipment	5,486,536	-	(8,344)	183,765	5,661,957
Construction in Progress	1,559,538	8,357,288	-	(183,765)	9,733,061
Total	14,006,599	8,357,288	(147,608)	-	22,216,279
Less: Accumulated Depreciation	(7,726,275)	(722,062)	115,541	-	(8,332,796)
Capital Assets, Net	\$ 6,280,324	\$ 7,635,226	\$ (32,067)	\$ -	\$ 13,883,483

	December 31, 2021	Additions	Retirements	Transfers	December 31, 2022
Land	\$ 99,489	\$ 2,738	\$ -	\$ -	\$ 102,227
Land Improvements	113,019	-	-	-	113,019
Buildings and Improvements	6,256,472	-	-	488,807	6,745,279
Equipment	5,346,202	98,271	(15,200)	57,263	5,486,536
Construction in Progress	1,548,775	556,833	-	(546,070)	1,559,538
Total	13,363,957	657,842	(15,200)	-	14,006,599
Less: Accumulated Depreciation	(6,993,417)	(748,058)	15,200	-	(7,726,275)
Capital Assets, Net	\$ 6,370,540	\$ (90,216)	\$ -	\$ -	\$ 6,280,324

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 CAPITAL ASSETS (CONTINUED)

Construction in progress relates primarily to the repositioning of the hospital campus. The project is anticipated to cost approximately \$17,000,000 and it is expected to be completed in July 2024. The project was funded with bond anticipation notes (see Note 9) which will be converted into permanent financing after the completion of construction.

NOTE 7 LEASE PAYABLE

Lease payables consisted of following at December 31:

<u>Description</u>	<u>2023</u>	<u>2022</u>
A lease purchase agreement for the purchase of copiers was executed June 26, 2019. The original amount was \$30,953 with interest at 5% for 5 years with payments of \$623 per month.	\$ 6,479	\$ 14,895
A lease purchase agreement for the purchase of a lab equipment was executed March 24, 2023. The original amount was \$120,000 with interest at 4.50% for 5 years with payment of \$2,237 per month.	103,672	-
A lease purchase agreement for the purchase of HVAC Equipment was executed October 15, 2016. The original amount was \$2,805,329 with interest at 3.24% for 10 years with payments of \$28,378 per month. (An additional principal payment of \$90,645 was made on December 28, 2016.)	<u>921,018</u>	<u>1,226,588</u>
Total	1,031,169	1,241,483
Less: Current Portion of Lease Payable	<u>(341,848)</u>	<u>(312,474)</u>
Lease Payable, Net of Current Portion	<u>\$ 689,321</u>	<u>\$ 929,009</u>

A schedule of changes in the District's lease payable consisted of following at December 31:

	December 31, 2022	<u>Additions</u>	<u>Retirements</u>	December 31, 2023	Amounts Due Within One Year
Leases Payable	<u>\$ 1,241,483</u>	<u>\$ -</u>	<u>\$ (330,314)</u>	<u>\$ 911,169</u>	<u>\$ 341,848</u>
	December 31, 2021	<u>Additions</u>	<u>Payments</u>	December 31, 2022	Amounts Due Within One Year
Leases Payable	<u>\$ 1,547,737</u>	<u>\$ -</u>	<u>\$ (306,254)</u>	<u>\$ 1,241,483</u>	<u>\$ 312,474</u>

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 LEASE PAYABLE (CONTINUED)

Right-of-use assets acquired through outstanding leases are shown below, by underlying asset class:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 3,278,438	\$ 3,158,438
Less: Accumulated Amortization	<u>(1,315,804)</u>	<u>(1,095,086)</u>
Total Right-of-Use Assets, Net	<u>\$ 1,962,634</u>	<u>\$ 2,063,352</u>

The District has entered into lease agreements for the acquisition of equipment. These lease purchase agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of the future minimum lease payments under these capital leases at December 31:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 344,674	\$ 38,401
2025	349,521	29,773
2026	304,412	5,461
2027	25,909	935
2028	6,653	50
Total	<u>\$ 1,031,169</u>	<u>\$ 74,620</u>

NOTE 8 LONG-TERM DEBT

Long-term debt is as follows on the balance sheet at December 31, 2023 and 2022:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Southeast Colorado Hospital District Hospital Enterprise Bond Anticipation Notes Series 2023; 5.00% interest rate; annual interest payments due through maturity of February 2025 and principal payment due at maturity.	<u>\$ 16,170,000</u>	<u>\$ -</u>

Under the terms of the Series 2023 Bond Anticipation Notes (Series 2023 BANs) and trust indenture, the District is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The Series 2023 BANs also places limits on the incurrence of additional borrowing and requires the District to satisfy certain measures of financial performance as long as the Series 2023 BANs are outstanding. Under the terms of the Series 2022 BANs, management is not aware of noncompliance with any covenants as of December 31, 2023.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 LONG-TERM DEBT (CONTINUED)

The following is a schedule of the future maturities of the long-term debt at December 31:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ 768,076
2025	16,170,000	384,038
Total	<u>\$ 16,170,000</u>	<u>\$ 1,152,114</u>

NOTE 9 BUDGET

A comparison for budgeted and actual revenues and expenditures as of December 31, 2023 and 2022 is presented in the following schedule (this comparison is not a schedule of operations):

	<u>2023</u>		<u>2022</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Revenues	<u>\$ 19,895,682</u>	<u>\$ 21,663,910</u>	<u>\$ 19,223,159</u>	<u>\$ 20,490,429</u>
Expenditures	<u>\$ 23,088,738</u>	<u>\$ 24,726,503</u>	<u>\$ 22,099,062</u>	<u>\$ 22,775,493</u>

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN

The District provides pension benefits for substantially all full time employees through a defined contribution plan of Colorado County Officials and Employees Retirement Association. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. One year of service is required previous to participation in the Colorado County Officials and Employees Retirement Association Plan.

Employees contribute 3% of their salary to the plan with an equal amount contributed by the District. Vesting occurs at the rate of 20% per year. District contributions for, and earnings forfeited by, employees who leave employment before fully vesting are returned to the District.

The benefit terms are authorized by the Board of Directors of the Southeast Colorado Hospital District and may only be amended by them.

The District has no outstanding pension liability at year end.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

Deferred Compensation Plan (Continued)

In previous years the District adopted an amendment to its Deferred Compensation Plan with CCOERA. The adoption of the amendment was due to recent changes in the Internal Revenue Code. Specifically the amendment states that all amounts deferred under this plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall, until made available to the participant or beneficiary, be held in the Colorado County Officials and Employees Retirement Association Defined Compensation Plan Trust for the exclusive benefit of participants and their beneficiaries. Colorado County Officials and Employees Retirement Association is trustee of the trust.

Eligible voluntary employee contributions were \$246,326 and \$215,467 for the years ending December 31, 2023 and 2022, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Taxpayer's Bill of Rights

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's bill of rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in property taxes and grants from all state and local governments combined, are excluded from the provisions of TABOR. (The District's management believes its operations qualify for this exclusion.)

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of the qualifications of an Enterprise will require judicial interpretation.

The District is not in any claims or actions which will result in costs or losses to the District that are uninsured or of a material nature.

Health Care

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations.

**SOUTHEAST COLORADO HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 illness; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

Contingent Liabilities

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

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

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



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