




Haxtun Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023



**Haxtun Hospital District
Contents
December 31, 2024 and 2023**

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Independent Auditor's Report

Board of Directors
Haxtun Hospital District
Haxtun, Colorado

Opinion

We have audited the financial statements of the Haxtun Hospital District (the District), as of and for the years December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Haxtun Hospital District as of December 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Haxtun Hospital District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Haxtun Hospital District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgeted and actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeted and actual revenues and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

**Denver, Colorado
August 6, 2025**

**Haxtun Hospital District
Management’s Discussion and Analysis
Years Ended December 31, 2024 and 2023**

INTRODUCTION

This management’s discussion and analysis of Haxtun Hospital District (the District) provides an overview of the District’s financial activities for the years ended December 31, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the District, which begin on page 8.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- The District’s current cash and cash equivalents increased in 2024 by \$1,192,235, or 24%, compared to an increase of \$315,064, or 7%, in 2023.
- Capital assets increased in 2024 by \$2,388,986, or 29%, compared to an increase of by \$440,869, or 6%, in 2023.
- Current liabilities increased in 2024 by \$1,324,441, or 41%, compared to a decrease of \$238,464, or 7%, in 2023.
- Net position increased in 2024 by \$3,857,338, or 35%, compared to an increase \$105,368, or 1%, in 2023.
- Total operating revenues increased by \$836,676, or 6%, in 2024 compared to an increase of \$1,236,635, or 9%, in 2023.
- Total operating expenses increased by \$1,038,319, or 7%, in 2024, compared to an increase of \$2,051,385, or 16%, in 2023.
- Total nonoperating revenues (expenses) increased by \$583,814, or 118% in 2024, compared to a decrease of \$461,132, or 48%, in 2023.

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

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

THE STATEMENT OF CASH FLOWS

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

**Haxtun Hospital District
Management's Discussion and Analysis
Years Ended December 31, 2024 and 2023**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Cash and cash equivalents	\$ 5,808,685	\$ 4,923,679	\$ 4,608,615
Restricted cash - current	306,513	-	-
Patient accounts receivable, net	1,454,102	1,238,233	1,378,372
Other current assets	1,544,179	1,578,538	900,502
Capital assets, net	10,765,829	8,376,843	7,935,974
Noncurrent cash and cash equivalents	51,084	50,368	49,817
	<u>\$ 19,930,392</u>	<u>\$ 16,167,661</u>	<u>\$ 14,873,280</u>
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Current liabilities	\$ 3,368,945	\$ 3,260,255	\$ 3,498,719
Long-term debt	1,320,000	1,500,000	80,000
Deferred inflows from property taxes	301,744	325,041	317,564
	<u>4,990,689</u>	<u>5,085,296</u>	<u>3,896,283</u>
NET POSITION			
Net investment in capital assets	8,893,850	6,696,843	7,620,008
Restricted expendable	306,513	-	-
Restricted nonexpendable	51,084	50,368	49,817
Unrestricted	5,688,256	4,335,154	3,307,172
	<u>14,939,703</u>	<u>11,082,365</u>	<u>10,976,997</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 19,930,392</u></u>	<u><u>\$ 16,167,661</u></u>	<u><u>\$ 14,873,280</u></u>

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the statement of net position. The District's net position increased \$3,857,338 or 35% in 2024, compared to an increase \$105,368 or 1% in 2023, as shown in Table 1.

THE DISTRICT'S ASSETS AND LIABILITIES

The most noteworthy changes in 2024 to the District's statement of net position are the increases in cash and cash equivalents, restricted cash, capital assets, and the increase in current liabilities. The statement of net position shows that current cash and cash equivalents and restricted cash increased \$1,191,519 between 2024 and 2023. The increase was primarily driven by grant funds. Also of note in 2024, were net capital asset additions of \$2,388,986 (as detailed in Note 6).

OPERATING GAIN (LOSS)

The first component of the overall change in the District's net position is its operating gain (loss), which is the difference between operating revenue and the operating expenses incurred to perform those services. In 2024, the District reported an operating loss of (\$875,756), as shown in Table 2. The District's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals.

**Haxtun Hospital District
Management's Discussion and Analysis
Years Ended December 31, 2024 and 2023**

THE DISTRICT'S REVENUE AND EXPENSES

Net patient services revenues of approximately \$15,200,000 in 2024 represented a 5% increase over 2023. The District experienced an increase in procedure rates and volume throughout 2024, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2024 by approximately \$1,190,000, or 14%, as a result of the District's purposeful mission to improve wage rates and benefits for District staff. Supplies and other expenses decreased approximately \$419,000, or 11%, as a result of attempts to lower costs on major supplies and drugs.

Net patient services revenues of approximately \$14,400,000 in 2023 represented a 9% increase over 2022. The District experienced an increase in procedure rates and volume throughout 2023, which contributed to the increase in net patient service revenues. Salaries, wages, and employee benefits increased in 2023 by approximately \$927,000, or 12%, as a result of the District's purposeful mission to improve wage rates and benefits for District staff. Purchased services and professional fees decreased by approximately \$79,000, or 3%, as a result of employee wage raises and benefit cost sharing increases. These changes resulted in the hiring of new District staff and eliminating travel staff from the District patient care departments. Supplies and other expenses increased approximately \$1,193,000, or 45%, as a result of national supply chain issues, national inflation and shortages.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses consist primarily of property tax revenue, interest expense, and grants and contributions. Property tax revenues remain consistent between 2024 and 2023. Interest expense decreased 14% in 2024. Grant and contribution revenues, including gifts and grants to purchase capital assets, increased between 2024 and 2023 by approximately \$3,926,000 or 1069%, which was primarily the result of an increase in grant funds received for operations and Main Street Clinic construction and the recognition of Provider Relief Funds from the Health Resources and Services Administration (HRSA) appeal resolution in 2024 (as detailed in Note 11).

**Haxtun Hospital District
Management's Discussion and Analysis
Years Ended December 31, 2024 and 2023**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Net patient service revenues	\$ 15,213,091	\$ 14,429,742	\$ 13,181,021
Other operating revenues	146,955	93,628	105,714
Total operating revenues	<u>15,360,046</u>	<u>14,523,370</u>	<u>13,286,735</u>
OPERATING EXPENSES			
Salaries, wages, and employee benefits	9,563,816	8,373,788	7,446,479
Purchased services and professional fees	2,724,212	2,654,812	2,733,353
Supplies and other	3,395,231	3,814,146	2,621,432
Depreciation	552,543	354,737	344,834
Total operating expenses	<u>16,235,802</u>	<u>15,197,483</u>	<u>13,146,098</u>
OPERATING GAIN (LOSS)	<u>(875,756)</u>	<u>(674,113)</u>	<u>140,637</u>
NONOPERATING REVENUES AND EXPENSES			
Property taxes	392,784	355,193	363,541
Interest income	29,953	31,734	2,042
Interest expense	(5,667)	(4,990)	(10,309)
Other nonoperating revenues and expenses, net	706,850	111,699	599,494
Net nonoperating revenues and expenses	<u>1,123,920</u>	<u>493,636</u>	<u>954,768</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE CAPITAL GAINS	248,164	(180,477)	1,095,405
Gifts and grants to purchase capital assets	3,609,174	285,845	587,630
INCREASE IN NET POSITION	<u>\$ 3,857,338</u>	<u>\$ 105,368</u>	<u>\$ 1,683,035</u>

OTHER ECONOMIC FACTORS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**Haxtun Hospital District
Statements of Net Position
December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,808,685	\$ 4,923,679
Restricted cash - current	306,513	-
Receivables		
Patient accounts receivable, net	1,454,102	1,238,233
Property taxes receivable	304,805	328,834
Estimated amounts due from third-party payors	685,699	685,699
Other	157,429	207,641
Inventory	341,114	298,895
Prepaid expenses and other	55,132	57,469
Total Current Assets	<u>9,113,479</u>	<u>7,740,450</u>
Noncurrent Cash and Investments		
Externally restricted by donors	51,084	50,368
Capital Assets, Net	<u>10,765,829</u>	<u>8,376,843</u>
Total Assets	<u>\$ 19,930,392</u>	<u>\$ 16,167,661</u>

**Haxtun Hospital District
Statements of Net Position
December 31, 2024 and 2023**

(Continued)

	<u>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	\$ 245,466	\$ 260,000
Accounts payable	1,560,515	870,117
Accrued expenses	417,150	412,787
Unearned revenue	306,513	1,517,351
Estimated amounts due to third-party payors	839,301	200,000
Total Current Liabilities	<u>3,368,945</u>	<u>3,260,255</u>
Long-Term Debt	1,320,000	1,500,000
Deferred Inflows of Resources		
Property taxes	301,744	325,041
Total Liabilities and Deferred Inflows of Resources	<u>4,990,689</u>	<u>5,085,296</u>
Net Position		
Net investment in capital assets	8,893,850	6,696,843
Restricted - expendable for capital acquisitions	306,513	-
Restricted - nonexpendable endowment	51,084	50,368
Unrestricted	5,688,256	4,335,154
Total Net Position	<u>14,939,703</u>	<u>11,082,365</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 19,930,392</u>	<u>\$ 16,167,661</u>

Haxtun Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectable accounts: 2024 - \$300,808 and 2023 - \$360,125	\$ 15,213,091	\$ 14,429,742
Other revenue	146,955	93,628
Total Operating Revenues	<u>15,360,046</u>	<u>14,523,370</u>
Operating Expenses		
Salaries and wages	7,804,025	7,001,557
Employee benefits	1,759,791	1,372,231
Supplies	2,061,662	2,481,238
Professional fees and purchased services	2,724,212	2,654,812
Depreciation	552,543	354,737
Insurance	295,020	276,426
Provider fee expense	302,634	251,154
Other expenses	735,915	805,328
Total Operating Expenses	<u>16,235,802</u>	<u>15,197,483</u>
Operating Loss	<u>(875,756)</u>	<u>(674,113)</u>
Nonoperating Revenues (Expenses)		
Property taxes	392,784	355,193
Grants and contributions	684,542	81,583
Interest income	29,953	31,734
Interest expense	(5,667)	(4,990)
Other nonoperating revenues	22,308	30,116
Total Nonoperating Revenues (Expenses)	<u>1,123,920</u>	<u>493,636</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	248,164	(180,477)
Gifts and Grants to Purchase Capital Assets	<u>3,609,174</u>	<u>285,845</u>
Increase in Net Position	3,857,338	105,368
Net Position, Beginning of Year	<u>11,082,365</u>	<u>10,976,997</u>
Net Position, End of Year	<u>\$ 14,939,703</u>	<u>\$ 11,082,365</u>

Haxtun Hospital District
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 15,686,735	\$ 13,423,446
Payments to suppliers, contractors, and others	(6,273,602)	(6,015,731)
Payments to employees	(9,293,344)	(8,614,412)
Other receipts, net	150,024	90,973
Net Cash Provided by (Used in) Operating Activities	269,813	(1,115,724)
Cash Flows from Noncapital Financing Activities		
Property taxes supporting operations	310,248	275,774
Noncapital grants and gifts	(526,296)	81,583
Other nonoperating revenue	22,308	30,116
Net Cash Provided by (Used in) Noncapital Financing Activities	(193,740)	387,473
Cash Flows from Capital and Related Financing Activities		
Proceeds from the issuance of long-term debt	65,466	1,800,000
Principal paid on long-term debt and lease liabilities	(260,000)	(204,250)
Interest paid on long-term debt and lease liabilities	(5,667)	(4,990)
Proceeds from property taxes for debt service	82,536	79,419
Capital grants and gifts	3,609,174	285,845
Purchase of capital and lease assets	(2,405,300)	(943,892)
Net Cash Provided by Capital and Related Financing Activities	1,086,209	1,012,132
Cash Flows from Investing Activities		
Interest income	29,953	31,734
Change in balance of externally restricted donation	(716)	(551)
Net Cash Provided by Investing Activities	29,237	31,183
Increase in Cash and Cash Equivalents	1,191,519	315,064
Cash and Cash Equivalents, Beginning of Year	4,923,679	4,608,615
Cash and Cash Equivalents, End of Year	\$ 6,115,198	\$ 4,923,679

**Haxtun Hospital District
Statements of Cash Flows
Years Ended December 31, 2024 and 2023**

(Continued)

	<u>2024</u>	<u>2023</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 5,808,685	\$ 4,923,679
Restricted cash - current	306,513	-
Total cash and cash equivalents	<u>\$ 6,115,198</u>	<u>\$ 4,923,679</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating loss	\$ (875,756)	\$ (674,113)
Depreciation	552,543	354,737
Provision for uncollectible accounts	-	360,125
Changes in operating assets and liabilities		
Patient accounts receivable, net	(215,869)	(219,986)
Estimated amounts due from and to third-party payers	639,301	(1,019,699)
Accounts payable and accrued expenses	158,532	68,072
Other assets and liabilities	11,062	15,140
Net Cash Provided by (Used in) Operating Activities	<u>\$ 269,813</u>	<u>\$ (1,115,724)</u>
Supplemental Cash Flows Information		
Capital asset acquisition in accounts payable	\$ 539,659	\$ 3,430

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

Nature of Operations and Reporting Entity

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

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

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of money market accounts with banks.

Restricted Cash

The District holds restricted cash related to grant funds received and designated for capital purchases.

Patient Accounts Receivable

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

Supplies

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

Noncurrent Cash and Cash Equivalents

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

Capital Assets

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

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

Buildings and Building Improvements	20 – 40 years
Software and Equipment	3 – 20 years

Lease Assets

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

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

Capital and Lease Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2024 or 2023.

Compensated Absences

The District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Compensated absence liabilities are computed using the regular pay, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities. Compensated absences of approximately \$336,000 and \$314,000 are reported within accrued expenses in the accompanying statements of net position at December 31, 2024 and 2023, respectively.

During the current year, the District implemented GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The District was already recording compensated absences in accordance with this statement and as such, the implementation of this standard did not result in any changes in how the District records the compensated absence liability.

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

Unearned Revenue

The District received grant funds designated for capital purchases. Revenue is recognized when the grantor designation is satisfied. Unearned revenue was approximately \$307,000 and \$0 at December 31, 2024 and 2023, respectively.

Risk Management

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

Deferred Inflows of Resources

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

Net Position

Net position of the District is classified in four components.

- Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase, use, or construction of those assets
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position

Net Patient Service Revenue

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

Grants and Contributions

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

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

Charity Care

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

The District provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Property Taxes

The District received approximately 2% of its financial support from property taxes in 2024 and 2023. These funds were used as follows:

	<u>2024</u>	<u>2023</u>
Levied to support operations	\$ 310,248	\$ 275,774
Levied to support debt service	<u>82,536</u>	<u>79,419</u>
Total property tax income	<u>\$ 392,784</u>	<u>\$ 355,193</u>

Property taxes are assessed in January and are received in February and June of the succeeding year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Income Taxes

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

Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Note 2. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the state Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

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

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

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

Note 3. Net Patient Service Revenue

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

Medicare. The District is licensed as a Critical Access Hospital. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis and inpatient nonacute services and outpatient services related to Medicare beneficiaries are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare Administrative Contractor. The District's Medicare cost reports have been audited by Medicare fiscal intermediary through December 31, 2022.

Medicaid. Reimbursements for Medicaid inpatient services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member similar to Medicare. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Reimbursements for Medicaid outpatient services are paid prospectively under the Enhanced Ambulatory Patient Grouping (EAPG) System, to a patient classification system that is based on clinical, diagnostics, and other factors.

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

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

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

	<u>2024</u>	<u>2023</u>
CHASE supplemental payments included in patient service revenue	\$ 2,199,418	\$ 1,922,060
CHASE fee expense	<u>(302,634)</u>	<u>(251,154)</u>
Effect of SB 17-267	<u>\$ 1,896,784</u>	<u>\$ 1,670,906</u>

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

	<u>2024</u>	<u>2023</u>
Gross patient service revenue	\$ 19,303,483	\$ 18,020,792
Contractual adjustments and provision for uncollectible accounts	<u>(4,090,392)</u>	<u>(3,591,050)</u>
Total	<u>\$ 15,213,091</u>	<u>\$ 14,429,742</u>

Approximately 63% and 64% of net patient service revenues are from Medicare and state-sponsored Medicaid programs for the years ended December 31, 2024 and 2023, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates could change materially in the near term.

The 2024 net patient service revenue decreased approximately \$350,000 due to changes in estimates as the result of final settlements.

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

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

Note 4. Patient Accounts Receivable

The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2024 and 2023 consisted of:

	<u>2024</u>	<u>2023</u>
Medicare	48%	51%
Medicaid	7%	5%
Other third-party payors	30%	25%
Patients	15%	19%
	<u>100%</u>	<u>100%</u>

Note 5. Deposits

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

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

At December 31, 2024 and 2023, the District’s cash deposits had a bank balance of approximately \$6,373,000 and \$5,090,000, respectively.

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

Note 6. Capital and Lease Assets

Capital Assets

Capital assets activity for the years ended December 31, 2024 and 2023 are as follows.

	2024				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and leasehold improvements	8,469,453	190,532	-	22,891	8,682,876
Equipment and software	3,836,145	114,911	-	159,821	4,110,877
Construction in progress	2,092,885	2,636,086	-	(182,712)	4,546,259
	<u>14,406,773</u>	<u>2,941,529</u>	<u>-</u>	<u>-</u>	<u>17,348,302</u>
Less accumulated depreciation					
Buildings and leasehold improvements	3,016,898	319,303	-	-	3,336,201
Equipment and software	3,013,032	233,240	-	-	3,246,272
	<u>6,029,930</u>	<u>552,543</u>	<u>-</u>	<u>-</u>	<u>6,582,473</u>
Total capital assets, being depreciated	<u>\$ 8,376,843</u>	<u>\$ 2,388,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,765,829</u>
	2023				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 8,290	\$ -	\$ -	\$ -	\$ 8,290
Buildings and leasehold improvements	4,290,382	44,475	-	4,134,596	8,469,453
Equipment and software	3,778,599	57,546	-	-	3,836,145
Construction in progress	5,533,896	693,585	-	(4,134,596)	2,092,885
	<u>13,611,167</u>	<u>795,606</u>	<u>-</u>	<u>-</u>	<u>14,406,773</u>
Less accumulated depreciation					
Buildings and leasehold improvements	2,918,611	98,287	-	-	3,016,898
Equipment and software	2,756,582	256,450	-	-	3,013,032
	<u>5,675,193</u>	<u>354,737</u>	<u>-</u>	<u>-</u>	<u>6,029,930</u>
Total capital assets, being depreciated	<u>\$ 7,935,974</u>	<u>\$ 440,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,376,843</u>

As of December 31, 2024 and 2023, construction in progress consists of cost related to the Main Street Clinic project. The Hospital Infrastructure Project completed and was placed in service in 2023. The Main Street Clinic Project completed in early 2025 for a total cost of approximately \$6,300,000 and was funded through cash from operations, grant funds, and debt issuances. Grant funds for the Main Street Clinic project are conditional and recognized as revenue when qualifying allowable expenses have been incurred to earn the revenue. Grant revenue recognized for capital projects are recorded as gifts and grants to purchase capital assets in the accompanying statements of revenues, expenses, and changes in net position. Debt issuances include the Rural Economic Development Loan Program and Commercial Promissory Note as further described in Note 7.

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

Note 7. Long-Term Debt

The following is a summary of long-term transactions for the District for the years ended December 31, 2024 and 2023:

	2024				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Note payable	\$ 1,680,000	\$ -	\$ (180,000)	\$ 1,500,000	\$ 180,000
Go Refunding Bonds, Series 2013	80,000	-	(80,000)	-	-
Commercial Promissory Note	-	65,466	-	65,466	65,466
Total long-term debt	\$ 1,760,000	\$ 65,466	\$ (260,000)	\$ 1,565,466	\$ 245,466

	2023				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Note payable	\$ -	\$ 1,800,000	\$ (120,000)	\$ 1,680,000	\$ 180,000
Go Refunding Bonds, Series 2013	155,000	-	(75,000)	80,000	80,000
Total long-term debt	\$ 155,000	\$ 1,800,000	\$ (195,000)	\$ 1,760,000	\$ 260,000

Note Payable

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

General Obligations Refunding Bonds, Series 2013

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

Commercial Promissory Note

On April 24, 2023, the District entered into a promissory note with a financial institution under which draws could be made up to \$2,000,000, maturing April 15, 2025 bearing interest at 9.5% annually. At December 31 2024 the district had drawn \$65,466. Subsequent to year-end, the note was paid in full and was not renewed.

**Haxtun Hospital District
Notes to Financial Statements
December 31, 2024 and 2023**

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

<u>Year Ended December 31, 2024</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 245,466	\$ 245,466	\$ -
2026	180,000	180,000	-
2027	180,000	180,000	-
2028	180,000	180,000	-
2029	180,000	180,000	-
2030 - 2033	600,000	600,000	-
Total	<u>\$ 1,565,466</u>	<u>\$ 1,565,466</u>	<u>\$ -</u>

Note 8. Restricted Net Position

The District received funds from a contributor to establish an endowment. The earnings on the endowment can be expended to support the District’s activities. The endowed portion and earnings reported on the statements of net position as restricted – nonexpendable endowment total \$51,084 and \$50,368 as of December 31, 2024 and 2023, respectively.

Note 9. Employee Retirement Plans

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

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

The second plan is a 457(b) plan which permits employees to make additional pre-tax contributions from their wages up to defined IRS limitations. The District will contribute up to 3% of each employee’s pre-tax wages to match contributions made by the employees to the 457(b) plan.

Total pension plan expense for the years ended December 31, 2024 and 2023 was approximately \$144,000 and \$90,000, respectively.

Note 10. Commitments and Contingencies

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss has been recorded for the years ended December 31, 2024 or 2023. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Medical Malpractice Claims

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

Note 11. Provider Relief Funds

The District received approximately \$3,000,000 in distributions from the CARES Act Provider Relief Fund (PRF) and the American Rescue Plan (ARP) Rural Distribution during 2020 and 2021. The funds received had terms and conditions established at differing times over the course of the COVID-19 pandemic. If not spent in full or in accordance with terms and conditions the funds are subject to repayment.

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

During 2024, management received notice from HRSA that the funds were allowable. The related revenue of \$1,517,351 was recognized as revenue within grants and contributions of the accompanying change in net position.

Note 12. Subsequent Events

Subsequent to year-end the District entered into a line of credit with a bank for the amount of \$1,000,000 maturing September 19, 2025.

On July 3, 2025, the U.S. Congress enacted the One Big Beautiful Bill Act (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has no impact on the results of operations and financial condition as of and for the year ended June 30, 2025. The District is currently evaluating what impact the OBBBA may have on the financial results, cash flows and financial position for future periods.

Subsequent events have been evaluated through August 6, 2025, which is the date the financial statements were available to be issued.

Supplementary Information

**Haxtun Hospital District
Budget and Actual Revenues and Expenses
Year Ended December 31, 2024**

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable) Variance</u>
Operating Revenues			
Net patient service revenue	\$ 15,213,091	\$ 16,283,797	\$ (1,070,706)
Other operating revenue	146,955	187,049	(40,094)
	<u>15,360,046</u>	<u>16,470,846</u>	<u>(1,110,800)</u>
Operating Expenses			
Salaries, wages and employee benefits	9,563,816	9,650,432	86,616
Other operating expenses	6,671,986	6,741,648	69,662
	<u>16,235,802</u>	<u>16,392,080</u>	<u>156,278</u>
Operating Income (Loss)	(875,756)	78,766	(954,522)
Nonoperating Revenues, Net	<u>1,123,920</u>	<u>1,208,679</u>	<u>(84,759)</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	<u>\$ 248,164</u>	<u>\$ 1,287,445</u>	<u>\$ (1,039,281)</u>