Eastern Rio Blanco County Health Service District doing business as Pioneers Medical Center

Basic Financial Statements and Independent Auditors' Report

December 31, 2025 and 2024

ACCOUNTANTS | ADVISORS

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	1-3
BASIC FINANCIAL STATEMENTS:	
Statements of net position	4-5
Statements of revenues, expenses, and changes in net position	6
Statements of cash flows	7-8
Notes to financial statements	9-19
SUPPLEMENTAL INFORMATION:	
Schedule of budget and actual revenues and expenses	20

INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Meeker, Colorado

Opinion

We have audited the accompanying financial statements of Eastern Rio Blanco County Health Service District doing business as Pioneers Medical Center (the District) as of and for the years ended December 31, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 the 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards, 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, as well as other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DZA PLLC

Spokane Valley, Washington
May 12, 2026

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Net Position
December 31, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2025**	**2024**
Current assets		
Cash and cash equivalents	**$ 10,680,251**	$ 12,857,375
Investments	**5,726,874**	5,516,000
Receivables:		
Patient accounts	**7,182,109**	4,947,632
Property tax levy	**3,060,428**	3,493,919
Retail pharmacy	**351,238**	259,231
Estimated third-party payor settlements	**689,000**	-
Other	**513,227**	198,022
Inventories	**1,438,886**	1,241,564
Prepaid expenses	**523,524**	562,133
Total current assets	**30,165,537**	29,075,876
Noncurrent assets		
Cash and cash equivalents restricted for debt service reserve	**5,248,222**	7,565,665
Investments held at cost	**467,550**	393,015
Depreciable capital assets, net	**35,473,339**	37,501,111
Nondepreciable capital assets	**700,756**	839,011
Total noncurrent assets	**41,889,867**	46,298,802
Total assets	**72,055,404**	75,374,678
Deferred outflows of resources		
Deferred charge on debt refunding	**293,257**	403,229
Total assets and deferred outflows of resources	**$ 72,348,661**	$ 75,777,907

See accompanying notes to financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Net Position (Continued)
December 31, 2025 and 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2025	2024
Current liabilities		
Accounts payable	**$ 2,465,978**	$ 2,092,748
Accrued compensation and related liabilities	**2,931,677**	2,681,702
Estimated third-party payor settlements	**168,457**	4,379,469
Current maturities of noncurrent liabilities	**1,628,669**	1,977,040
Unearned revenue grant	**336,505**	431,256
Total current liabilities	**7,531,286**	11,562,215
Noncurrent liabilities, less current maturities	**24,986,606**	26,451,521
Total liabilities	**32,517,892**	38,013,736
Deferred inflows of resources		
Leases	**5,951**	58,679
Property taxes	**3,052,313**	3,482,695
Total deferred inflows of resources	**3,058,264**	3,541,374
Net position		
Net investment in capital assets	**9,852,077**	10,314,790
Restricted	**5,248,222**	7,565,665
Unrestricted, restated	**21,672,206**	16,342,342
Total net position	**36,772,505**	34,222,797
Total liabilities, deferred inflows of resources, and net position	**$ 72,348,661**	$ 75,777,907

See accompanying notes to financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Net patient service revenue	**$ 59,267,755**	$ 57,076,422
Retail pharmacy	**3,418,791**	2,921,878
Grants	**663,784**	815,481
Rent revenue	**311,629**	324,365
Other revenue	**572,406**	864,664
Total operating revenues	**64,234,365**	62,002,810
Operating expenses		
Salaries and wages	**19,831,506**	19,122,433
Employee benefits	**9,710,695**	9,733,463
Professional fees and other purchased services	**15,061,455**	14,262,371
Supplies	**11,818,032**	11,453,159
Utilities	**818,645**	765,745
Depreciation and amortization	**4,570,944**	4,837,687
Insurance	**448,030**	418,307
Leases and rentals	**118,590**	139,277
Repairs and maintenance	**1,459,218**	1,397,382
Provider fees	**553,557**	563,980
Other	**1,305,087**	1,275,188
Total operating expenses	**65,695,759**	63,968,992
Operating loss	**(1,461,394)**	(1,966,182)
Nonoperating revenues (expenses)		
Property tax revenues	**3,831,300**	5,090,209
Loss on disposal of assets	**(34,229)**	(1,649)
Tax collection expense	**(182,304)**	(239,854)
Interest income	**480,989**	410,372
Interest expense	**(1,226,403)**	(1,243,033)
Total nonoperating revenues (expenses), net	**2,869,353**	4,016,045
Excess of revenues over expenses before capital grants and contributions	**1,407,959**	2,049,863
Capital grants and contributions	**1,141,749**	764,430
Change in net position	**2,549,708**	2,814,293
Net position, beginning of year	**34,222,797**	31,408,504
Net position, end of year	**$ 36,772,505**	$ 34,222,797

See accompanying notes to financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

		2025		2024
Change in Cash and Cash Equivalents				
Cash flows from operating activities				
Cash received from and on behalf of patients	**$**	**52,133,266**	$	62,522,764
Cash received from retail pharmacy		**3,326,784**		2,844,767
Cash received from grants		**663,784**		815,481
Cash received from other revenue		**568,830**		1,176,029
Cash paid to and on behalf of employees		**(29,292,226)**		(28,325,099)
Cash paid to suppliers and contractors		**(31,368,097)**		(29,681,402)
Net cash from operating activities		**(3,967,659)**		9,352,540
Cash flows from noncapital financing activities				
Cash received from property taxes		**3,781,681**		5,089,758
Cash paid for tax collection costs		**(182,304)**		(239,854)
Cash received from nonoperating grants and contributions		**1,978**		22,322
Net cash from noncapital financing activities		**3,601,355**		4,872,226
Cash flows from capital and related financing activities				
Principal payments on noncurrent liabilities		**(1,930,950)**		(2,212,507)
Interest paid on noncurrent liabilities		**(1,116,431)**		(1,133,061)
Cash received from capital grants and contributions		**1,045,020**		573,364
Purchase of capital assets		**(2,321,482)**		(987,028)
Net cash from capital and related financing activities		**(4,323,843)**		(3,759,232)
Cash flows from investing activities				
Interest received from investments		**195,580**		261,126
Purchase of investments		**-**		(1,111,000)
Sale of investments		**-**		3,560,334
Net cash from investing activities		**195,580**		2,710,460
Net change in cash and cash equivalents		**(4,494,567)**		13,175,994
Cash and cash equivalents, beginning of year		**20,423,040**		7,247,046
Cash and cash equivalents, end of year	**$**	**15,928,473**	$	20,423,040

See accompanying notes to financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2025 and 2024

		2025		2024
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position				
Cash and cash equivalents in current assets	**$**	**10,680,251**	$	12,857,375
Cash and cash equivalents restricted for debt service reserve		**5,248,222**		7,565,665
Total cash and cash equivalents	**$**	**15,928,473**	$	20,423,040
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	**$**	**(1,461,394)**	$	(1,966,182)
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation and amortization		**4,570,944**		4,837,687
Provision for bad debts		**2,279,888**		1,600,864
(Increase) decrease in assets:				
Receivables:				
Patient accounts		**(4,514,365)**		(890,383)
Retail pharmacy		**(92,007)**		(77,111)
Estimated third-party payor settlements		**(689,000)**		481,392
Other		**(315,205)**		(13,000)
Inventories		**(197,322)**		(174,351)
Prepaid expenses		**38,609**		(233,080)
Increase (decrease) in liabilities:				
Accounts payable		**373,230**		1,001,438
Accrued compensation and related liabilities		**249,975**		530,797
Estimated third-party payor settlements		**(4,211,012)**		4,254,469
Net cash from operating activities	**$**	**(3,967,659)**	$	9,352,540

Noncash Capital and Related Financing Activities

During the years ended December 31, 2025 and 2024, the District recognized lease right-of-use and subscription assets and liabilities totaling $117,664 and $218,315, respectively.

See accompanying notes to financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Eastern Rio Blanco County Health Service District doing business as Pioneers Medical Center (the District) is an independent governmental entity organized under provisions of the Colorado Revised Statutes. It operates within Eastern Rio Blanco County (the County) but is not part of the County government. As organized, the District is exempt from paying federal income tax. The Board of Directors consists of five elected residents of the County.

The District operates a licensed 16-bed hospital, 30-bed skilled nursing facility, and a rural health clinic in Meeker, Colorado. The services provided include medical-surgical, pediatrics, surgery, emergency room, clinic, long-term care, and the related ancillary services (laboratory, imaging, cardiology, physical therapy, respiratory therapy, etc.).

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows, and liabilities and deferred inflows, and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Enterprise fund accounting – The District's accounting policies conform to GAAP as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on an accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Capital assets – The District capitalizes assets whose costs exceed $5,000 and have an estimated useful life of at least three years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses as incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method. Lease subscription assets are stated at the present value of the future payments under the agreement, plus any payments made at or before the start of the contract and cost to place the asset in service.

Useful lives are estimated as follows:

Land improvements	5 to 15 years
Buildings and improvements	10 to 30 years
Equipment	3 to 29 years
Lease right of use and subscription assets	5 to 7 years

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Accrued compensated absences – Employees earn paid time off (PTO) on regular hours actually worked at varying rates, depending on years of service. The percentage of PTO accrued ranges from 10 percent to 16 percent of the regular hours worked. Employees may accrue a maximum of 300 hours of PTO. Amounts in excess of 200 hours may be redeemed for up to 80 hours. PTO and related benefits are accrued and expensed when earned. Employees are given 48 hours of sick leave on January 1. Unused sick leave does not carry forward into the next year and cannot be cashed out or paid out upon termination. Providers are awarded 20 days of PTO on January 1. Unused provider PTO does not carry forward into the next year and cannot be cashed out or paid out upon termination.

Net position – The net position of the District is classified into three components. *Net investment in capital assets* consists of the District's capital assets net of accumulated depreciation and amortization and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position.*

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

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.

Grants and contributions – From time to time, the District receives federal, state, and county 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. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Contributions, except for capital contributions, are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Unearned revenues – Revenue received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred. Then, revenue is recognized.

***Reclassifications* –** Certain reclassifications have been made to the 2024 financial statements to conform with the 2025 presentation. These classifications had no effect on the previously reported change in net position.

1. **Reporting Entity and Summary of Significant Accounting Policies (continued):**

   b. **Summary of Significant Accounting Policies (continued)**

   Subsequent events – Subsequent events have been reviewed through May 12, 2026, the date on which the financial statements were available to be issued.

2. **Bank Deposits and Investments:**

Deposits – The Colorado Public Deposit Protection Act (CPDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the CPDPA.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

Investments – Colorado state statutes authorize the District to invest in United States Treasury bills, obligations of any other United States agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker's acceptance notes, commercial paper, corporate securities, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in the custody of a third-party on behalf of the local government.

The District invests in certificates of deposits with Mountain Valley Bank and Yampa Valley Bank. The District has an equity investment with Healthcare Management LLC, St. Mary's Cardiac Catheterization Laboratories, and St. Mary's Air Medical Transport, LLC.

Concentration of credit risk – Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District has a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

The District's investments consisted of certificates of deposit with less than one year maturities of $5,726,874 and $5,516,000, for the years ended 2025 and 2024, respectively.

Fair value measurements – The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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, and Level 3 inputs are significant unobservable inputs.

The District's investments in certificates of deposit are valued using quoted market prices (Level 1 inputs). The District's equity investments in Healthcare Management LLC, St. Mary's Cardiac Catheterization Laboratories, and St. Mary's Air Medical Transport, LLC are not subject to fair value measurements and are valued under the cost method.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary; for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due, for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District’s allowance for uncollectible accounts for self-pay patients did not significantly change from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets consisted of these amounts:

	2025	2024
Receivable from patients and their insurance carriers	**$ 6,199,207**	$ 4,293,919
Receivable from Medicare	**3,030,741**	2,249,054
Receivable from Medicaid	**180,666**	262,948
Total patient accounts receivable	**9,410,614**	6,805,921
Less allowance for uncollectible accounts	**2,228,505**	1,858,289
Patient accounts receivable, net	**$ 7,182,109**	$ 4,947,632

4. Capital Assets:

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
Capital assets not being depreciated					
Land	$ 674,480	$ -	$ -	$ -	**$ 674,480**
Construction in progress	164,531	1,607,474	(67,955)	(1,677,774)	**26,276**
Total capital assets not being depreciated	839,011	1,607,474	(67,955)	(1,677,774)	**700,756**
Capital assets being depreciated or amortized					
Land improvements	9,574,872	-	-	-	**9,574,872**
Buildings and improvements	36,993,648	-	-	1,076,206	**38,069,854**
Equipment	35,353,226	899,630	(4,282,252)	601,568	**32,572,172**
Lease right-of-use assets	520,699	-	-	-	**520,699**
Subscription assets	204,526	-	(15,967)	-	**188,559**
Total capital assets being depreciated or amortized	82,646,971	899,630	(4,298,219)	1,677,774	**80,926,156**
Less accumulated depreciation or amortization for					
Land improvements	6,615,959	496,186	-	-	**7,112,145**
Buildings and improvements	14,835,496	1,626,797	-	-	**16,462,293**
Equipment	23,209,367	2,312,590	(4,248,021)	-	**21,273,936**
Lease right-of-use assets	303,688	126,047	-	-	**429,735**
Subscription assets	181,350	9,324	(15,966)	-	**174,708**
Total accumulated depreciation or amortization	45,145,860	4,570,944	(4,263,987)	-	**45,452,817**
Total capital assets being depreciated or amortized, net	37,501,111	(3,671,314)	(34,232)	1,677,774	**35,473,339**
Capital assets, net of accumulated depreciated or amortization	$ 38,340,122	$ (2,063,840)	$ (102,187)	$ -	**$ 36,174,095**

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
Capital assets not being depreciated					
Land	$ 674,480	$ -	$ -	$ -	**$ 674,480**
Construction in progress	-	164,531	-	-	**164,531**
Total capital assets not being depreciated	674,480	164,531	-	-	**839,011**
Capital assets being depreciated or amortized					
Land improvements	9,574,872	-	-	-	**9,574,872**
Building and improvements	36,993,648	-	-	-	**36,993,648**
Equipment	34,543,905	822,497	(13,176)	-	**35,353,226**
Lease right-of-use assets	302,384	218,315	-	-	**520,699**
Subscription assets	204,526	-	-	-	**204,526**
Total capital assets being depreciated or amortized	81,619,335	1,040,812	(13,176)	-	**82,646,971**
Less accumulated depreciation or amortization for					
Land improvements	6,119,480	496,479	-	-	**6,615,959**
Building and improvements	13,230,973	1,604,523	-	-	**14,835,496**
Equipment	20,606,230	2,614,664	(11,527)	-	**23,209,367**
Lease right-of-use assets	190,992	112,696	-	-	**303,688**
Subscription assets	172,025	9,325	-	-	**181,350**
Total accumulated depreciation or amortization	40,319,700	4,837,687	(11,527)	-	**45,145,860**
Total capital assets being depreciated or amortized, net	41,299,635	(3,796,875)	(1,649)	-	**37,501,111**
Capital assets, net of accumulated depreciation or amortization	$ 41,974,115	$ (3,632,344)	$ (1,649)	$ -	**$ 38,340,122**

5. Medical Self-insurance Plan:

The District self-insures the cost of employee healthcare benefits as it purchases annual stop-loss insurance coverage for all claims in excess of $75,000 per individual. An accrual for claims that have been incurred but not reported is included in the statements of net position in accrued compensation and related liabilities. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in the District's claim liability were as follows:

		2025		2024
Claim liability, beginning of year	**$**	**780,000**	$	750,000
Current year claims and changes in estimates		**3,401,983**		4,621,704
Claims payments		**(3,401,983)**		(4,591,704)
Claim liability, end of year	**$**	**780,000**	$	780,000

6. Long-term Debt and Other Noncurrent Obligations:

Schedules of changes in the District's long-term debt, lease, and subscription obligations are as follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
Long-term debt					
BSJ/Hilltop construction note payable	$ 27,818,245	$ -	$ (1,403,564)	$ 26,414,681	$ 1,521,744
MRI note payable	204,972	-	(204,972)	-	-
Total long-term debt	28,023,217	-	(1,608,536)	26,414,681	1,521,744
Lease and subscription agreement obligations	405,344	117,664	(322,414)	200,594	106,925
Total noncurrent liabilities	**$ 28,428,561**	**$ 117,664**	**$ (1,930,950)**	**$ 26,615,275**	**$ 1,628,669**

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Long-term debt					
BSJ/Hilltop construction note payable	$ 29,218,016	$ -	$ (1,399,771)	$ 27,818,245	$ 1,464,361
MRI note payable	689,851	-	(484,879)	204,972	204,971
Total long-term debt	29,907,867	-	(1,884,650)	28,023,217	1,669,332
Lease and subscription agreement obligations	514,886	218,315	(327,857)	405,344	307,708
Total noncurrent liabilities	**$ 30,422,753**	**$ 218,315**	**$ (2,212,507)**	**$ 28,428,561**	**$ 1,977,040**

6. Long-term Debt and Other Noncurrent Obligations (continued):

The terms of the District's long-term debt follow:

- The BSJ/Hilltop construction note payable, in the original amount of $35,000,000 from Bank of San Juans and Hilltop National Bank under a lease agreement for the refunding of the 2013 Lease Agreement and the expansion of the operation room, rural health clinic, and acute wing. Monthly installments of $209,337, including interest at 3.85 percent, are due through August 2039. The note is collateralized by substantially all of the District's assets.
- The MRI note payable, in the original amount of $2,350,000 from Bank of San Juans used to fund the expansion of the MRI suite. Monthly installments of $41,191, including interest at 2 percent. The note payable was fully repaid in April 2025.

The terms of the District's lease and subscription obligations follow:

- Lease and subscription obligations comprised of equipment and subscription-based information technology agreements that have varying payment amounts and interest rates from 0.00 percent to 4.52 percent. The District's lease and subscription obligations do not contain any residual value guarantees or material restrictive covenants.

Scheduled principal and interest repayments on the long-term debt, lease, and subscription obligations are as follows:

Years Ending	Long-Term Debt		
December 31,	Principal	Interest	Total
2026	$ 1,521,744	$ 990,299	$ 2,512,043
2027	1,581,376	930,667	2,512,043
2028	1,643,345	868,698	2,512,043
2029	1,707,743	804,301	2,512,044
2030	1,774,663	737,380	2,512,043
2031-2035	9,972,595	2,587,623	12,560,218
2036-2039	8,213,215	578,937	8,792,152
	$ 26,414,681	**$ 7,497,905**	**$ 33,912,586**

Years Ending	Lease and Subscription Obligations		
December 31,	Principal	Interest	Total
2026	$ 106,925	$ 2,831	$ 109,756
2027	49,544	152	49,696
2028	29,416	-	29,416
2029	14,709	-	14,709
	$ 200,594	**$ 2,983**	**$ 203,577**

7. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have not changed significantly from the prior year. The District has not changed its charity care or uninsured discount policies during the year ended December 31, 2025. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2025	2024
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 27,808,519**	$ 28,537,460
Medicaid	**3,269,435**	3,918,226
Other third-party payors	**27,259,117**	23,572,213
Patients	**1,506,476**	1,124,848
Supplemental payments	**1,726,704**	1,656,716
	61,570,251	58,809,463
Less:		
Charity care	**22,608**	132,177
Provision for bad debts	**2,279,888**	1,600,864
Net patient service revenue	**$ 59,267,755**	$ 57,076,422

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

- ***Medicare*** – The District has been designated a critical access hospital by Medicare and is reimbursed for inpatient and outpatient services and rural health clinic visits on a cost basis, as defined and limited by the Medicare program. Physician services outside the rural health clinic are paid on a fee schedule. Home health and hospice services are reimbursed on a prospective rate per episode of care. The District is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

- ***Medicaid*** – Hospital services rendered to Medicaid program beneficiaries are paid on a prospective payment system. Skilled nursing services are paid on prospectively determined rates per day. Rural health clinic encounters are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid. Physician services are reimbursed on a fee schedule.

7. Net Patient Service Revenue (continued):

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

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. Net patient service revenue increased by approximately $1,525,000 and $931,000 in the years ended December 31, 2025 and 2024, respectively, due to differences between original estimates and final settlements.

Medicaid rural health clinic rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing by adjusting the rate to the higher of either the prospectively determined rate or the cost per encounter, as determined by the District’s annual Medicare cost reports. The District had estimated receivables for rate reconciliations of approximately $689,000 and $427,000 for the years ended December 31, 2025 and 2024, respectively.

Under the Colorado Health Care Affordability Act (the Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under the Act.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District’s policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2025 and 2024, were approximately $16,000 and $88,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2025 and 2024.

8. Property Taxes:

The Rio Blanco County Treasurer acts as an agent to assess and collect property taxes levied in the County for all taxing authorities. Property taxes are levied and assessed in December on property values assessed as of January 1 of the prior year.

Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. The assessed property is subject to lien on the levy date. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. No allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2025 and 2024, for taxes levied for 2026 and 2025, respectively.

For 2025, the District’s regular tax levy was $7.280 per $1,000 on a total assessed valuation of $503,583,730, for a total regular levy of $3,666,090. For 2024, the District’s regular tax levy was $7.280 per $1,000 on a total assessed valuation of $663,040,820, for a total regular levy of $4,826,937.

The District paid $182,304 and $239,854 in 2025 and 2024, respectively, to the Rio Blanco County Treasurer for assessment and collection of the tax levy.

9. Defined Contribution Plans:

The District sponsors a 401(a) defined contribution plan. The Eastern Rio Blanco County Health Service District 401(a) Plan (the 401(a) Plan) is mandatory for all eligible employees. Additionally, a 457 deferred compensation plan (the 457 Plan) is voluntary for all eligible participants who may defer a percentage of their compensation up to certain limits specified by the Internal Revenue Code. Participants are fully vested in their salary deferrals to the 457 Plan.

Under the 401(a) Plan, employees are required to contribute 6 percent of their gross income, which the District matches 100 percent. The participants are eligible for the employer matching contributions immediately if they work a minimum of 24 hours per week and have either part-time or full-time status. The matching contributions are allocated to the participants' accounts in the Colorado County Officials & Employees Retirement Association (CCOERA). Participants are vested depending on the years of service, ranging from zero percent in the first year to fully vested in the sixth year.

CCOERA administers both the 457 Plan and the 401(a) Plan.

Participant contributions to the 457 Plan during the years ended December 31, 2025 and 2024, were approximately $223,000 and $221,000, respectively. Participant contributions to the 401(a) Plan during the years ended December 31, 2025 and 2024, were approximately $947,000 and $908,000, respectively. The District made matching contributions to the 401(a) Plan of approximately $800,000 and $672,000 during the years ended December 31, 2025 and 2024, respectively.

Forfeitures of approximately $146,000 and $236,000 during the years ended December 31, 2025 and 2024, respectively, were used to reduce the District's contributions.

Benefit terms, including contribution requirements, are established and may be amended by the District. When a participant leaves employment prior to being fully vested, forfeitures are utilized against future employer contributions.

The District made all required funding payments during the year.

10. Commitment:

The District renewed a management contract with QHR Health, LLC (QHR) on September 26, 2023, for the management, administration, and operations of the District. The agreement calls for the District to pay QHR an annual base fee, with provision for annual increases based on the changes in the Consumer Price Index and pass-through salaries and benefit costs for management. The term of the agreement extends through December 31, 2028. Total payments to QHR during 2025 and 2024 were approximately $297,000 and $347,000, respectively. The District's future commitment to QHR for management fees is approximately $840,000.

11. Risk Management and Contingencies:

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; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

11. Risk Management and Contingencies (continued):

Medical malpractice claims – The District has professional liability insurance with COPIC Insurance Company (COPIC). The policy provides protection on a "claims-made" basis, whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies, as well as past incidents that are reported during the current term. The malpractice insurance provides $1,000,000 per claim of primary coverage, with an annual aggregate limit of $3,000,000. The policy has no deductible.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management believes the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Taxpayer's Bill of Rights – Colorado voters passed an amendment to the state constitution, Article X, Section 20, known as the *Taxpayer's Bill of Rights*. This amendment has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation.
The District believes it is in compliance with the requirements of this amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

12. Concentration of Risks:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2025	**2024**
Medicare	**40 %**	32 %
Medicaid	**7**	14
Other third-party payors	**39**	45
Patients	**14**	9
	100 %	100 %

Physicians – The District is dependent on local physicians and mid-level providers practicing in its service area to provide admission and utilize hospital services on an outpatient basis. A decrease in the number of providers or changes in their utilization patterns may have an adverse effect on hospital operations.

SUPPLEMENTAL INFORMATION

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Net patient service revenue	$ 57,395,267	**$ 59,267,755**	$ 1,872,488
Retail pharmacy	-	**3,418,791**	3,418,791
Grants	1,397,083	**663,784**	(733,299)
Rent revenue	-	**311,629**	311,629
Other revenue	6,000,541	**572,406**	(5,428,135)
Total operating revenues	64,792,891	**64,234,365**	(558,526)
Operating expenses			
Salaries and wages	20,684,533	**19,831,506**	853,027
Employee benefits	9,644,518	**9,710,695**	(66,177)
Professional fees and other purchased services	14,746,177	**15,061,455**	(315,278)
Supplies	12,402,893	**11,818,032**	584,861
Utilities	805,100	**818,645**	(13,545)
Depreciation and amortization	5,052,411	**4,570,944**	481,467
Insurance	402,869	**448,030**	(45,161)
Leases and rentals	269,132	**118,590**	150,542
Repairs and maintenance	1,419,534	**1,459,218**	(39,684)
Other	1,257,189	**1,858,644**	(601,455)
Total operating expenses	66,684,356	**65,695,759**	988,597
Operating loss	(1,891,465)	**(1,461,394)**	430,071
Nonoperating revenues (expenses)			
Nonoperating grants	-	**1,141,749**	1,141,749
Investment income	260,047	**480,989**	220,942
Interest expense	(1,158,140)	**(1,226,403)**	(68,263)
Other nonoperating revenue	3,698,939	**3,614,767**	(84,172)
Total nonoperating revenues (expenses), net	2,800,846	**4,011,102**	1,210,256
Change in net position	**$ 909,381**	**$ 2,549,708**	**$ 1,640,327**

See accompanying independent auditors' report.