Haxtun Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024

Haxtun Hospital District
Contents
December 31, 2025 and 2024

Forvis Mazars, LLP
1801 California Street, Suite 2900
Denver, CO 80202
P 303.861.4545 | F 303.832.5705
forvismazars.us

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 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 accompanying 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 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 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 opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2024 statements of cash flows have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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

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
July 9, 2026

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, 2025 and 2024. 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 decreased in 2025 by $4,477,371, or 77%, compared to an increase of $1,192,235, or 24%, in 2024.
- Capital assets increased in 2025 by $33,878, or 0.3%, compared to an increase of $2,388,986, or 29%, in 2024.
- Current liabilities decreased in 2025 by $1,451,797, or 43%, compared to an increase of $1,324,441, or 41%, in 2024.
- Net position decreased in 2025 by $388,462, or 3%, compared to an increase of $3,857,338, or 35%, in 2024.
- Total operating revenues increased by $267,135, or 2%, in 2025 compared to an increase of $836,676, or 6%, in 2024.
- Total operating expenses increased by $1,791,361, or 11%, in 2025, compared to an increase of $1,038,319, or 7%, in 2024.
- Total nonoperating revenues (expenses) increased by $389,161, or 35% in 2025, compared to an increase of $583,814, or 118%, in 2024.

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

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

THE STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash 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 during the reporting period.

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

	2025	2024	2023
ASSETS			
Cash	$ 1,637,827	$ 5,808,685	$ 4,923,679
Restricted cash - current	-	306,513	-
Investments	2,036,460	-	-
Patient accounts receivable, net	1,492,777	1,454,102	1,238,233
Other current assets	1,795,374	1,544,179	1,578,538
Capital assets, net	10,799,707	10,765,829	8,376,843
Noncurrent cash	51,785	51,084	50,368
Total assets	$ 17,813,930	$ 19,930,392	$ 16,167,661
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Current liabilities	$ 1,917,148	$ 3,368,945	$ 3,260,255
Long-term debt	1,140,000	1,320,000	1,500,000
Deferred inflows from property taxes	205,541	301,744	325,041
Total liabilities	3,262,689	4,990,689	5,085,296
NET POSITION			
Net investment of capital assets	9,479,707	8,893,850	6,696,843
Restricted expendable	-	306,513	-
Restricted nonexpendable	51,785	51,084	50,368
Unrestricted	5,019,749	5,688,256	4,335,154
Total net position	14,551,241	14,939,703	11,082,365
Total Liabilities, Deferred Inflows, and Net Position	$ 17,813,930	$ 19,930,392	$ 16,167,661

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 decreased $388,462 or 3% in 2025, compared to an increase of $3,857,338 or 35% in 2024, as shown in Table 1.

THE DISTRICT'S ASSETS AND LIABILITIES

The most noteworthy changes in 2025 to the District's statement of net position are the decreases in cash, restricted cash, capital assets, and the decrease in current liabilities. The statement of net position shows that current cash, restricted cash, and investments decreased $2,440,911 or 40% between 2025 and 2024. The decrease was primarily driven from purchases of capital assets, emphasis on timely payment to vendors, and increased expenses related to salaries and wages and employee benefits. Also of note in 2025, Haxtun Health received a payment totaling $883,051 from the Employee Retention Tax Credit program.

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 2025, the District reported an operating loss of ($2,399,982), as shown in Table 2. The operating loss is the result of increases for employee salaries and wages and employee benefits, higher costs for the purchase of supplies, increases for locum tenens physicians, and expenses related to temporary clinical staff. District's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals.

THE DISTRICT'S REVENUE AND EXPENSES

Net patient services revenues of approximately $15,410,000 in 2025 represented a 1% increase over 2024. The District experienced an increase from improved volumes in the following: the extended care unit, Haxtun Main Street Clinic, outpatient occupational therapy, and emergency department. Salaries, wages, and employee benefits increased in 2025 by approximately $755,000, or 8%, as a result of the District's purposeful mission to improve wage rates and benefits for District staff. Supplies and other expenses increased approximately $478,000, or 3%, as a result of price increases from purchasing medical supplies, insurance policies, and physician fees.

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.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses consist primarily of property tax revenue, interest expense, grants and contributions, and in 2025 proceeds from the Employee Retention Tax Credit of $883,051. Property tax revenues decreased by 55,356, or 14% from 2024 to 2025. Interest expense increased by $2,565 or 45% in 2025. Grant and contribution revenues, including gifts and grants to purchase capital assets, decreased between 2025 and 2024 by approximately $3,623,000 or 84%, which was primarily the result of 2024 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 12).

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

	2025	2024	2023
OPERATING REVENUES			
Net patient service revenues	$ 15,409,220	$ 15,213,091	$ 14,429,742
Other operating revenues	217,961	146,955	93,628
Total operating revenues	15,627,181	15,360,046	14,523,370
OPERATING EXPENSES			
Salaries, wages, and employee benefits	10,319,314	9,563,816	8,373,788
Purchased services and professional fees	3,145,778	2,724,212	2,654,812
Supplies and other	3,873,075	3,395,231	3,814,146
Depreciation	688,996	552,543	354,737
Total operating expenses	18,027,163	16,235,802	15,197,483
OPERATING LOSS	(2,399,982)	(875,756)	(674,113)
NONOPERATING REVENUES AND EXPENSES			
Property taxes	337,428	392,784	355,193
Interest income	86,866	29,953	31,734
Interest expense	(8,232)	(5,667)	(4,990)
Employee Retention Tax Credit	883,051	-	-
Other nonoperating revenues and expenses, net	213,968	706,850	111,699
Net nonoperating revenues and expenses	1,513,081	1,123,920	493,636
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE CAPITAL GAINS	(886,901)	248,164	(180,477)
Gifts and grants to purchase capital assets	498,439	3,609,174	285,845
INCREASE (DECREASE) IN NET POSITION	$ (388,462)	$ 3,857,338	$ 105,368

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, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash	$ 1,637,827	$ 5,808,685
Restricted cash - current	-	306,513
Investments	2,036,460	-
Receivables		
Patient accounts receivable, net	1,492,777	1,454,102
Property taxes receivable	205,531	304,805
Estimated amounts due from third-party payors	881,752	685,699
Other	176,907	157,429
Inventory	514,114	341,114
Prepaid expenses and other	17,070	55,132
Total Current Assets	6,962,438	9,113,479
Noncurrent Cash and Investments		
Externally restricted by donors	51,785	51,084
Capital Assets, Net	10,799,707	10,765,829
Total Assets	$ 17,813,930	$ 19,930,392

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 380,000	$ 245,466
Accounts payable	671,150	1,560,515
Accrued expenses	565,998	417,150
Unearned revenue	-	306,513
Estimated amounts due to third-party payors	300,000	839,301
Total Current Liabilities	1,917,148	3,368,945
Long-Term Debt	1,140,000	1,320,000
Deferred Inflows of Resources		
Property taxes	205,541	301,744
Total Liabilities and Deferred Inflows of Resources	3,262,689	4,990,689
Net Position		
Net investment in capital assets	9,479,707	8,893,850
Restricted - expendable for capital acquisitions	-	306,513
Restricted - nonexpendable endowment	51,785	51,084
Unrestricted	5,019,749	5,688,256
Total Net Position	14,551,241	14,939,703
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 17,813,930	$ 19,930,392

Haxtun Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectable accounts; 2025 - $387,000 and 2024 - $300,808	$ 15,409,220	$ 15,213,091
Other revenue	217,961	146,955
Total Operating Revenues	15,627,181	15,360,046
Operating Expenses		
Salaries and wages	7,971,409	7,804,025
Employee benefits	2,347,905	1,759,791
Supplies	2,237,060	2,061,662
Professional fees and purchased services	3,145,778	2,724,212
Depreciation	688,996	552,543
Insurance	334,094	295,020
Provider fee expense	348,043	302,634
Other expenses	953,878	735,915
Total Operating Expenses	18,027,163	16,235,802
Operating Loss	(2,399,982)	(875,756)
Nonoperating Revenues (Expenses)		
Property taxes	337,428	392,784
Grants and contributions	171,907	684,542
Interest income	86,866	29,953
Interest expense	(8,232)	(5,667)
Employee Retention Tax Credit	883,051	-
Other nonoperating revenues	42,061	22,308
Total Nonoperating Revenues (Expenses)	1,513,081	1,123,920
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	(886,901)	248,164
Gifts and Grants to Purchase Capital Assets	498,439	3,609,174
Increase (Decrease) in Net Position	(388,462)	3,857,338
Net Position, Beginning of Year	14,939,703	11,082,365
Net Position, End of Year	$ 14,551,241	$ 14,939,703

Haxtun Hospital District
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024 (Restated - Note 2)
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 14,608,921	$ 15,686,735
Payments to suppliers, contractors, and others	(8,385,587)	(6,273,602)
Payments to employees	(9,859,305)	(9,293,344)
Other receipts, net	259,094	150,024
Net Cash Provided by (Used in) Operating Activities	(3,376,877)	269,813
Cash Flows from Noncapital Financing Activities		
Property taxes supporting operations	337,428	310,248
Noncapital grants and gifts	171,907	684,542
Proceeds from the issuance of long-term debt	3,322,000	-
Principal paid on long-term debt	(3,122,000)	-
Employee retention tax credit	883,051	-
Other nonoperating revenue	42,061	22,308
Net Cash Provided by Noncapital Financing Activities	1,634,447	1,017,098
Cash Flows from Capital and Related Financing Activities		
Proceeds from the issuance of long-term debt	-	65,466
Principal paid on long-term debt	(245,466)	(260,000)
Interest paid on long-term debt	(8,232)	(5,667)
Proceeds from property taxes for debt service	-	82,536
Capital grants and gifts	191,926	2,398,336
Purchase of capital assets	(722,874)	(2,405,300)
Net Cash Used in Capital and Related Financing Activities	(784,646)	(124,629)
Cash Flows from Investing Activities		
Purchase of investments	(2,000,000)	-
Interest income	50,406	29,953
Change in balance of externally restricted donation	(701)	(716)
Net Cash Provided by (Used in) Investing Activities	(1,950,295)	29,237
Increase (Decrease) in Cash	(4,477,371)	1,191,519
Cash, Beginning of Year	6,115,198	4,923,679
Cash, End of Year	$ 1,637,827	$ 6,115,198

	2025	2024 (Restated - Note 2)
Reconciliation of Cash to the Statements of Net Position		
Cash	$ 1,637,827	$ 5,808,685
Restricted cash - current	-	306,513
Total cash	$ 1,637,827	$ 6,115,198
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (2,399,982)	$ (875,756)
Depreciation	688,996	552,543
Provision for uncollectible accounts	(703,000)	-
Changes in operating assets and liabilities		
Patient accounts receivable, net	664,325	(215,869)
Estimated amounts due from and to third-party payors	(735,354)	639,301
Accounts payable and accrued expenses	(740,517)	158,532
Other assets and liabilities	(151,345)	11,062
Net Cash Provided by (Used in) Operating Activities	$ (3,376,877)	$ 269,813
Noncash Investing, Capital, and Related Financing Activities		
Capital asset acquisition in accounts payable	$ -	$ 539,659

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.

Restricted Cash

In 2024, the District held restricted cash related to grant funds received and designated for capital purchases. The grant funds were used for the designated capital purchases in 2025.

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.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit with a maturity of one year or less at time of acquisition are carried at amortized cost.

Investment income includes interest income on certificates of deposit.

Noncurrent Cash

Noncurrent cash consists of cash 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

Capital Asset Impairment

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital 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, 2025 or 2024.

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. A liability is accrued for compensated absences as the benefits are earned if the leave is more than likely than not to be used for time off or settled 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 was not evaluated to be significant for 2024 or 2025. Compensated absences of approximately $413,000 and $336,000 are reported within accrued expenses in the accompanying statements of net position at December 31, 2025 and 2024, respectively.

Unearned Revenue

The District received grant funds designated for capital purchases. Revenue is recognized when the grantor designation is satisfied. Unearned revenue was approximately $0 and $307,000 at December 31, 2025 and 2024, 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 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, reduced by the outstanding balances of any related borrowings
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position

Net Patient Service Revenue

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

Grants and Contributions

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

Charity Care

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

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

Property Taxes

The District received approximately 2% of its financial support from property taxes in 2025 and 2024. These funds were used as follows:

	2025	2024
Levied to support operations	$ 337,428	$ 310,248
Levied to support debt service	-	82,536
Total property tax income	$ 337,428	$ 392,784

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.

Note 2. Restatement of Prior-Year Financial Statements for Misstatement

Fiscal year 2024 statement of cash flow has been restated for an error of $1,210,838 between the statement of cash flow lines within noncapital financing activities and capital and related financing activities. There was no effect on the change in net position, net position, or ending cash as a result of this restatement.

	2024		
	As Previously Reported	Correction of Error	As Restated
Statements of Cash Flows			
Noncapital grants and gifts	$ (526,296)	$ 1,210,838	$ 684,542
Capital grants and gifts	3,609,174	(1,210,838)	2,398,336

Note 3. 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 4. 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. 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, 2023.

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

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

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

	2025	2024
CHASE supplemental payments included in patient service revenue	$ 2,077,566	$ 2,199,418
CHASE fee expense	(348,043)	(302,634)
Effect of SB 17-267	$ 1,729,523	$ 1,896,784

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

	2025	2024
Gross patient service revenue	$ 19,739,373	$ 19,303,483
Contractual adjustments and provision for uncollectible accounts	(4,330,153)	(4,090,392)
Total	$ 15,409,220	$ 15,213,091

Approximately 62% and 63% of net patient service revenues are from Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, 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.

Note 5. 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, 2025 and 2024 consisted of:

	2025	2024
Medicare	33%	48%
Medicaid	13%	7%
Other third-party payors	39%	30%
Patients	15%	15%
	100%	100%

Note 6. Deposits, Investments, and Investment Return

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, 2025 and 2024, the District's cash and investment deposits had a bank balance of approximately $3,616,000 and $6,373,000, respectively.

Investments

The District holds two nonnegotiable certificates of deposit carried at amortized cost.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District's investments have short-term maturities and the District does not believe it is exposed to significant interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments in the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities are in the possession of an outside party. The District has no formal policy for custodial credit risk. At December 31, 2025 the District did not identify any investments subject to custodial credit risk.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2025	2024
Carrying Value		
Deposits	$ 1,637,827	$ 6,115,198
Investments	2,036,460	-
Total	$ 3,674,287	$ 6,115,198

	2025	2024
Included in the following statement of net position captions		
Cash	$ 1,637,827	$ 5,808,685
Restricted cash - current	-	306,513
Investments	2,036,460	-
Total	$ 3,674,287	$ 6,115,198

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investments in a single issuer. At December 31, 2025, the District had investments in certificates of deposit with a single financial institution totaling $2,000,000, representing 100% of total investments.

Note 7. Capital Assets

Capital assets activity for the years ended December 31, 2025 and 2024 are as follows.

	2025				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	$ 8,290	$ -	$ -	$ -	$ 8,290
Buildings and leasehold improvements	8,682,876	-	(888,613)	5,135,315	12,929,578
Equipment and software	4,110,877	33,159	(1,033,935)	100,387	3,210,488
Construction in progress	4,546,259	689,715	-	(5,235,702)	272
	17,348,302	722,874	(1,922,548)	-	16,148,628
Less accumulated depreciation					
Buildings and leasehold improvements	3,336,201	456,080	(888,613)	-	2,903,668
Equipment and software	3,246,272	232,916	(1,033,935)	-	2,445,253
	6,582,473	688,996	(1,922,548)	-	5,348,921
Total capital assets, net	$ 10,765,829	$ 33,878	$ -	$ -	$ 10,799,707

	2024				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
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
	14,406,773	2,941,529	-	-	17,348,302
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
	6,029,930	552,543	-	-	6,582,473
Total capital assets, net	$ 8,376,843	$ 2,388,986	$ -	$ -	$ 10,765,829

Construction in progress during 2024 consisted of cost related to the Main Street Clinic project. The Main Street Clinic Project completed in early 2025 for a total cost of approximately $5,100,000 and was funded through cash from operations, grant funds, and debt issuances. Grant funds for the Main Street Clinic project were conditional and recognized as revenue when qualifying allowable expenses had 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 8.

Note 8. Long-Term Debt

The following is a summary of long-term transactions for the District for the years ended December 31, 2025 and 2024:

	2025				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note payable	$ 1,500,000	$ -	$ (180,000)	$ 1,320,000	$ 180,000
Commercial Promissory Note	65,466	-	(65,466)	-	-
Promissory Note	-	3,322,000	(3,122,000)	200,000	200,000
Total long-term debt	$ 1,565,466	$ 3,322,000	$ (3,367,466)	$ 1,520,000	$ 380,000

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
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

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 remaining principal balance on the first day of each year that the note is outstanding. The loan is secured by real property.

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. At December 31, 2025, the note was paid in full and was not renewed.

Promissory Note

On September 15, 2025, the District entered into a promissory note with a financial institution under which draws could be made up to $1,000,000, maturing March 14, 2026 bearing interest at 5.65% annually. Subsequent to year-end, the note was renewed to March 15, 2027.

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.

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

Year Ended December 31, 2025	Total to be Paid	Principal	Interest
2026	$ 380,000	$ 380,000	$ -
2027	180,000	180,000	-
2028	180,000	180,000	-
2029	180,000	180,000	-
2030	180,000	180,000	-
2031 - 2033	420,000	420,000	-
Total	$ 1,520,000	$ 1,520,000	$ -

Note 9. 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 $51,785 and $51,084 as of December 31, 2025 and 2024, respectively.

Note 10. 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 hours 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, 2025 and 2024 was approximately $143,000 and $144,000, respectively.

Note 11. 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, 2025 or 2024. 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.

Risks and Uncertainties

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.

According to the Congressional Budget Office (CBO) and the American Hospital Association (AHA), these provisions are projected to reduce federal Medicaid spending by nearly $1 trillion over 10 years and may result in the loss of Medicaid or marketplace coverage for approximately 11.8 million individuals. Key provisions impacting healthcare providers include:

- A freeze and phased reduction in provider taxes and state-directed payments (SDPs), with estimated reductions in hospital payments totaling approximately $340 billion over 10 years.
- Implementation of Medicaid work requirements and cost-sharing obligations for certain adult beneficiaries.
- Restrictions on Medicaid and Medicare eligibility for specific non-citizen populations.
- Elimination or modification of several tax credits and deductions related to clean energy and nonprofit institutions.

The OBBBA has not had a material impact on the financial results to date as many aspects of the legislation are effective for future periods. The Organization is currently evaluating what impact the OBBBA will have on the financial results, cash flows and financial position for future periods.

Note 12. 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 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 13. Employee Retention Credit

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to eligible employers who meet either the gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The District filed for and received approximately $833,000 in ERC through the Internal Revenue Service and accounts for the ERC as a nonexchange transaction government grant under GASB Topic N50. Under GASB Topic N50, the ERC may be recognized once the conditions attached to the grant have been substantially met. Laws and regulations concerning the ERC are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. Revenue of approximately $833,000 was recognized in 2025 within nonoperating revenue.

Supplementary Information

Haxtun Hospital District
Budget and Actual Revenues and Expenses
Year Ended December 31, 2025

	Actual	Budget	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	$ 15,409,220	$ 17,450,084	$ (2,040,864)
Other operating revenue	217,961	161,822	56,139
	15,627,181	17,611,906	(1,984,725)
Operating Expenses			
Salaries, wages and employee benefits	10,319,314	11,094,485	775,171
Other operating expenses	7,707,849	6,471,550	(1,236,299)
	18,027,163	17,566,035	(461,128)
Operating Income (Loss)	(2,399,982)	45,871	(2,445,853)
Nonoperating Revenues, Net	1,513,081	1,015,475	497,606
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	$ (886,901)	$ 1,061,346	$ (1,948,247)