SOUTH ROUTT MEDICAL CENTER
HEALTH SERVICES DISTRICT

Financial Statements

December 31, 2025

SOUTH ROUTT MEDICAL CENTER
HEALTH SERVICES DISTRICT

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CATTERSON
& COMPANY, P.C.
Certified Public Accountants
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Independent Auditor's Report

Board of Directors
South Routt Medical Center Health Services District
Routt County, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the South Routt Medical Center Health Services District (the District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the South Routt Medical Center Health Services District as of December 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2025. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual on page 13 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cattersm + Company, P.C.

Steamboat Springs, Colorado
April 16, 2026

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Net Position
December 31, 2025
(with summarized financial information as of December 31, 2024)

		2025		2024
Assets:				
Current assets:				
Cash and cash equivalents	$	169,471	$	180,187
Accounts receivable, net		14,967		14,421
Property taxes receivable		827,390		555,641
Total current assets		1,011,828		750,249
Noncurrent assets:				
Capital assets, net of accumulated depreciation		986,288		853,287
Total noncurrent assets		986,288		853,287
Total assets		1,998,116		1,603,536
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses		8,346		71,732
Grantor reimbursement liability		43,898		-
Current portion of lease purchase obligation		35,464		34,025
Total current liabilities		87,708		105,757
Noncurrent liabilities:				
Lease purchase obligation, net of current portion		98,618		134,692
Total liabilities		186,326		240,449
Deferred Inflows of Resources:				
Deferred property taxes		827,390		555,641
Deferred inflows of resources		827,390		555,641
Net Position:				
Net investment in capital assets		852,206		684,570
Restricted for:				
Emergencies		43,942		42,583
Contraceptive access		25,000		-
Unrestricted		63,252		80,293
Total net position	$	984,400	$	807,446

See accompanying notes to financial statements.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025
(with summarized financial information for the year ended December 31, 2024)

	2025	2024
Operating Revenues:		
Patient services:		
Medical	$ 1,370,034	$ 1,089,583
Less: uncollectible accounts	(596,688)	(364,760)
Patient services, net of uncollectible accounts	773,346	724,823
Operating grants	34,720	16,984
Other income	102,185	70,930
Total operating revenues	910,251	812,737
Operating Expenses:		
Wages, contract labor and benefits	965,009	943,699
Professional fees	131,877	76,479
Laboratory	9,404	13,675
Medical supplies and equipment	175,461	216,024
Office	65,776	64,320
Insurance	21,059	22,883
Cleaning, repairs and maintenance	29,336	28,535
Utilities	18,334	21,574
Depreciation	32,640	33,741
Other	3,923	7,027
Total operating expenses	1,452,819	1,427,957
Income (loss) from operations	(542,568)	(615,220)
Non-operating Revenues (Expenses):		
Taxes:		
Property	554,457	588,690
Specific ownership	33,811	33,703
Treasurer's fees	(16,663)	(17,694)
Capital grants	152,699	84,707
Interest income	945	1,297
Interest expense	(5,727)	(7,831)
Net non-operating revenues	719,522	682,872
Change in net position	176,954	67,652
Net position, beginning of year	807,446	739,794
Net position, end of year	$ 984,400	$ 807,446

See accompanying notes to financial statements.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2025
(with summarized financial information for the year ended December 31, 2024)

	2025	2024
Cash Flows From Operating Activities:		
Cash received from customers	$ 772,800	$ 731,942
Cash received from other sources	136,905	87,914
Cash payments to suppliers of goods or services	(520,210)	(544,361)
Cash payments to employees and contract labor	(963,355)	(880,288)
Net cash provided (used) by operating activities	(573,860)	(604,793)
Cash Flows From Non-Capital Financing Activities:		
Taxes received, net of collection fees	571,605	604,699
Net cash provided by non-capital financing activities	571,605	604,699
Cash Flows From Capital and Related Financing Activities:		
Principal payments on long-term debt	(34,635)	(32,530)
Interest payments on long-term debt	(5,727)	(7,831)
Proceeds from capital grants	196,597	84,707
Cash paid for capital expenditures	(165,641)	(85,652)
Net cash provided (used) by capital and related financing activities	(9,406)	(41,306)
Cash Flows From Investing Activities:		
Interest received	945	1,297
Net cash provided by investing activities	945	1,297
Net change in cash and cash equivalents	(10,716)	(40,103)
Cash and cash equivalents, beginning of year	180,187	220,290
Cash and cash equivalents, end of year	$ 169,471	$ 180,187
Reconciliation of Income (Loss) From Operations to Net Cash Provided by Activities:		
Income (loss) from operations	$ (542,568)	$ (615,220)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	32,640	33,741
(Increase) decrease in:		
Accounts receivable, net	(546)	7,119
Prepaid expense	-	9,835
(Decrease) increase in:		
Accounts payable and accrued expenses	(63,386)	(40,268)
Net cash provided (used) by operating activities	$ (573,860)	$ (604,793)

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

The South Routt Medical Center Health Services District (the District) was established in May 2006 in Routt County, Colorado as a local government entity under Colorado Revised Statutes (CRS) to provide medical services including general operations and capital improvements in southern Routt County, Colorado. The District operates a medical care facility located in the Town of Oak Creek, Colorado.

The District's financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The District operates as an enterprise and the accompanying proprietary fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, this fund is maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred.

Assets, Liabilities, Deferred Inflows of Resources, and Net Position

<u>Cash and Cash Equivalents</u>

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and demand deposits.

<u>Accounts Receivable, Net</u>

The District's accounts receivable consists of charges for patient services provided. The District estimates an allowance for uncollectible accounts based on a review of current trends in collection percentage and insurance coverage of the patients served.

<u>Leases</u>

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

<u>Capital Assets</u>

Capital assets include land, building and improvements, and equipment. Capital assets are defined by the District as assets with an initial cost of $3,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Building	40
Building improvements	20
Equipment	5-10

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of unavailable revenues from property taxes to be collected in subsequent years.

Operating and Non-operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the District. Operating expenses include the cost of ongoing operations, related administrative expenses, and depreciation expense. Non-operating revenues and expenses are all those that do not meet the criteria described previously.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer collects property taxes and remits collections to the District monthly.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted on a non-GAAP basis wherein depreciation is not budgeted; capital expenditures and principal payments on long-term debt are budgeted and recorded as expenditures.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the District's Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public notice is offered by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.
- All appropriations lapse at the end of each fiscal year.

The District did not adopt any supplemental budget appropriations for the year ended December 31, 2025.

Compliance

The District's expenditures exceeded appropriations by $182,544 for the year ended December 31, 2025. The excess expenditures were primarily for building expansion planning costs and professional fees that were funded from capital grants and patient services.

TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains tax spending, revenue and debt limitations which apply to the State of Colorado and all local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved $43,942 of the December 31, 2025 fund balance for this purpose.

The District's voters passed a ballot issue in May 2006 upon formation of the District, permitting the District to collect, retain and expend all revenues collected in 2007 and each year thereafter.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Note 3: Cash and Cash Equivalents

Deposits

The carrying amount of the District's deposits as of December 31, 2025 and 2024 was $169,471 and $180,187, respectively, and bank balances were $185,852 and $190,000, respectively. All of the bank balances as of December 31, 2025 and 2024 were covered by federal deposit insurance.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the aggregate uninsured deposits.

Note 4: Accounts Receivables, Net

Patient Services

The District's net accounts receivable from patient services as of December 31, 2025 and 2024 were as follows:

	2025	2024
Accounts receivable	$ 24,967	$ 22,421
Allowance for uncollectible accounts	(10,000)	(8,000)
	$ 14,967	$ 14,421

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2025 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Land	$ 54,000	$ -	$ -	$ 54,000
Other capital assets:				
Building	1,025,251	165,641	-	1,190,892
Building improvements	87,989	-	-	87,989
Equipment	56,246	-	-	56,246
Total other capital assets at cost	1,169,486	165,641	-	1,335,127
Less accumulated depreciation for:				
Building	(271,189)	(23,491)	-	(294,680)
Building improvements	(64,041)	(4,399)	-	(68,440)
Equipment	(34,969)	(4,750)	-	(39,719)
Total accumulated depreciation	(370,199)	(32,640)	-	(402,839)
Other capital assets, net	799,287	133,001	-	932,288
Business-type activities capital assets, net	$ 853,287	$ 133,001	$ -	$ 986,288

Note 6: Grantor Reimbursement Liability

In conjunction with the District's planned capital expansion project, the District requested reimbursements from grantors in excess of the actual capital costs incurred for planning the expansion. The District has reported a liability of $43,898 as of December 31, 2025 for the excess funds received from the grantor.

Subsequent to December 31, 2025, the District remitted the full amount of overpayment back to the grantor.

Note 7: Long-Term Liabilities

The District had the following long-term debt as of December 31, 2025:

First National Bank of the Rockies (FNBR) Lease Purchase Agreement

The District entered into a $450,000 lease purchase agreement with FNBR dated July 1, 2014 whereby the District conveyed its ownership of its medical facility and improvements to FNBR and agreed to lease the property from FNBR subject to annual appropriation of rental amount by the District. Proceeds of the lease were used as follows: $200,872 to pay the outstanding principal and interest of an existing line of credit agreement, $9,421 for lease issuance costs, and the remaining $239,707 to finance capital project costs. The lease requires monthly payments of $3,363 including interest at 4.15% beginning August 1, 2014 through maturity on June 1, 2029.

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Lease purchase obligation	$ 168,717	$ -	$ (34,635)	$ 134,082	$ 35,464
	$ 168,717	$ -	$ (34,635)	$ 134,082	$ 35,464

Interest expense on the lease purchase obligation during the years ended December 31, 2025 and 2024 was $5,727 and $7,831, respectively.

Debt service requirements of the lease purchase obligation as of December 31, 2025, assuming future annual appropriation of lease purchase payments, are as follows:

	Principal	Interest	Total
2026	$ 35,464	$ 4,898	$ 40,362
2027	36,964	3,398	40,362
2028	38,521	1,841	40,362
2029	23,133	321	23,454
Total	$ 134,082	$ 10,458	$ 144,540

Note 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participating in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Note 9: Subsequent Events

The District has evaluated subsequent events through April 16, 2026, the date these financial statements were available to be issued.

SOUTH ROUTT MEDICAL CENTER HEALTH SERVICES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance
Revenues:			
Patient services:			
Medical	$ 1,114,209	$ 1,370,034	$ 255,825
Less: uncollectible accounts	(377,579)	(596,688)	(219,109)
Taxes:			
Property	555,641	554,457	(1,184)
Specific ownership	28,982	33,811	4,829
Rent	26,296	24,800	(1,496)
Grants and contributions	-	187,419	187,419
Interest	1,271	945	(326)
Other	56,666	77,385	20,719
Total revenues	1,405,486	1,652,163	246,677
Expenditures:			
Wages, contract labor and benefits	977,171	965,009	12,162
Professional fees	71,418	131,877	(60,459)
Laboratory	13,603	9,404	4,199
Medical equipment and supplies	200,003	175,461	24,542
Office	63,736	65,776	(2,040)
Insurance	21,243	21,059	184
Cleaning, repairs and maintenance	28,937	29,336	(399)
Utilities	23,135	18,334	4,801
Treasurer's fees	-	16,663	(16,663)
Other	24,114	3,923	20,191
Capital	-	165,641	(165,641)
Debt service:			
Principal	29,070	34,635	(5,565)
Interest	7,871	5,727	2,144
Total expenditures	1,460,301	1,642,845	(182,544)
Change in fund balance - non-GAAP basis	(54,815)	9,318	$ 64,133
Adjustments to GAAP basis:			
Loan principal payments		34,635	
Capitalized expenditures		165,641	
Depreciation		(32,640)	
Change in fund balance - GAAP basis		176,954	
Fund balance, beginning of year	807,446	807,446	
Fund balance, end of year	$ 752,631	$ 984,400	