SOUTHEAST COLORADO HOSPITAL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024



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SOUTHEAST COLORADO HOSPITAL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southeast Colorado Hospital District
Springfield, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southeast Colorado Hospital District which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Southeast Colorado Hospital District as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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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 and *Government Auditing Standards* 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 and *Government 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 Southeast Colorado Hospital District's internal control. Accordingly, no such opinion is expressed.

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, included on pages 4 through 7, be presented supplement to the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2026, on our consideration of Southeast Colorado Hospital District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Colorado Hospital District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 18, 2026

Introduction

Southeast Colorado Hospital District (the District) offers readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, including the notes thereto.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

Financial Highlights

Total assets decreased by $2,903,386 to $35,606,604 in 2025. Net investment in capital assets increased by $184,547 to $7,049,198 in 2025. Total liabilities decreased by $1,950,851 to $24,045,193 in 2025. The total margin for fiscal year 2025 was a negative 4.0% and was a negative 7.5% for fiscal year 2024. The operating margin for fiscal year 2025 was a negative 13.9% and was a negative 16.1% for fiscal year 2024.

Financial Analysis of the Organization

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

Net Position

A summary of the District's net position at December 31, 2025, 2024, and 2023 is presented in Table 1 below:

Table 1

Condensed Statements of Net Position (in Thousands)

	2025	2024	2023
BALANCE SHEET			
ASSETS			
Current Assets	$ 5,281	$ 7,383	$ 15,793
Noncurrent Cash and Investments	2,462	2,321	2,673
Resident Deposits Held in Trust	11	17	11
Capital Assets, Net	27,853	28,789	15,846
Total Assets	$ 35,607	$ 38,510	$ 34,323
LIABILITIES			
Current Liabilities	$ 4,364	$ 21,075	$ 3,677
Resident Deposits Held in Trust	11	17	11
Long-Term Debt	15,604	-	16,170
Lease Payable, Net	4,067	4,903	689
Total Liabilities	24,046	25,995	20,547
DEFERRED INFLOW OF RESOURCES	572	559	564
NET POSITION			
Net Investment in Capital Assets	7,049	6,865	14,815
Unrestricted Position (Deficit)	3,940	5,091	(1,603)
Total Net Position	10,989	11,956	13,212
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 35,607	$ 38,510	$ 34,323

As can be seen by Table 1, Total Net Position decreased by approximately $967,000 to $10.9 million in fiscal year 2025 and decreased $1,256,000 to $11.9 million in fiscal year 2024, a negative 8.1% change in fiscal year 2025 and a negative 9.5% change in fiscal year 2024. The decrease to the District's net position for 2025 is generated from increased operating and financing costs.

Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the District's historical revenues and expenses for the fiscal years ended December 31, 2025, 2024, and 2023.

Table 2

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

	2025	2024	2023
Revenues	$ 22,180	$ 19,595	$ 19,896
Expenses	25,265	22,749	23,089
Operating Income (Loss)	(3,085)	(3,154)	(3,193)
Nonoperating Revenues and Expenses	883	1,575	1,307
Excess (Deficit) of Revenues over Expenses	(2,202)	(1,579)	(1,886)
Capital Grants and Contributions	1,236	323	86
Increase (Decrease) in Net Position	(966)	(1,256)	(1,800)
Net Position - Beginning of the Year	11,955	13,212	15,012
Net Position - End of the Year	$ 10,989	$ 11,956	$ 13,212

Operating and Financial Performance

The following summarizes the District's statement of revenue, expenses, and changes in net position for the year ended December 31, 2025.

Volume: Inpatient acute admissions for fiscal year 2025 were 106 compared to 90 in fiscal year 2024 and 170 in fiscal year 2023. Acute patient days for fiscal year 2025 were 365 compared to 314 in fiscal year 2024 and 587 in fiscal year 2023. This is an increase of 16.2% in 2025. The acute length of stay was 3.28 days for fiscal 2025, 3.61 days in fiscal 2024 and 3.43 days in fiscal 2023.

Net Patient and Resident Service Revenue: Net patient and resident service revenue increased $2,426,000 or 11.3% in fiscal year 2025 from fiscal year 2024 and decreased $330,000 or 2.0% in fiscal year 2024 from fiscal year 2023. Revenue deductions, the amount of patient service revenue uncollectible due to contractual agreements and government reimbursement policies, decreased approximately $172,000 to approximately $5,059,000 in 2025 from fiscal year 2024 and decreased approximately $3,144,000 to $5,230,000 in fiscal year 2024 from fiscal year 2023.

Other Operating Revenue: Other operating revenue decreased $13,515 in fiscal year 2025 from fiscal year 2024 and increased $12,740 in fiscal year 2024 from fiscal year 2023.

Salaries and Benefits: Salaries and benefits increased by approximately $410,000 from the previous year, to $13,995,000 from fiscal year 2024 of $13,584,000 or 3.0%. For fiscal years 2025 and 2024, the District employed a total of 143 and 128 paid full-time equivalent employees, respectively. The District is in a competitive wage market that includes both healthcare and nonhealthcare employers.

Contract Labor: Total contract labor decreased approximately $1,091,000 to approximately $1,209,000 in fiscal 2025, from $2,301,000 in fiscal 2024.

Supplies and Other Expense: Supply and other expenses increased by $269,000 or about 14.5% in fiscal year 2025.

Nonoperating Revenue and Expense: The primary sources of nonoperating revenue and expense are from the District tax levy, investment income generated from various investment holdings, and interest expense. For fiscal year 2025, these amounts increased approximately $544,000 from 2024, primarily due to additional contributions in 2025.

Net Capital Assets

At the end of fiscal years 2025 and 2024, the District had invested $20,960,195 and $21,966,515 in capital assets, net, respectively. The net change in capital assets is primarily a result of minimal capital asset additions, netted against a full year of depreciation expense.

Long-Term Debt and Leases

The District has long-term obligations totaling approximately $19,671,000 as of fiscal year 2025 and approximately $4,903,000 as of fiscal year 2024. The increase in 2025 is related to the refinancing the bond anticipation notes with a USDA loan with permanent financing, and continuing to make principal payments on lease obligations.

Economic and Other Factors and Next Year's Budget

The District's board and management considered many factors when setting the fiscal year 2026 budget. Of primary importance in setting the 2026 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Salary market surveys to remain competitive on wages offered
- Federal legislative and economic climate

Contacting the District's Finance Department

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

SOUTHEAST COLORADO HOSPITAL DISTRICT
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 330,158	$ 974,015
Investments	2,375	4,018
Current Portion of Noncurrent Cash and Investments	-	2,493,109
Accounts Receivable	2,785,113	2,833,594
Inventory	377,417	385,157
Prepaid Expenses and Other Assets	98,844	90,260
Property Tax Receivable	572,320	558,589
Estimated Third Party Payor Settlements	645,412	22,049
Other Receivables	469,145	22,433
Total Current Assets	5,280,784	7,383,224
NONCURRENT CASH AND INVESTMENTS		
Internally Designated for COVID Costs	50,014	300,000
Internally Designated for Property and Equipment	2,381,417	1,893,560
Internally Designated for Scholarships	23,802	25,680
Internally Designated for Health Insurance	6,554	101,389
Restricted by Trustee - Project Fund	-	2,007,883
Restricted by Trustee - Interest Fund	-	485,226
Total Noncurrent Cash and Investments	2,461,787	4,813,738
Less: Current Portion of Noncurrent Cash and Investments	-	(2,493,109)
Noncurrent Cash and Investments, Net of Current Portion	2,461,787	2,320,629
RESIDENT DEPOSITS HELD IN TRUST	10,693	17,118
RIGHT-OF-USE ASSETS, NET	6,893,145	6,822,504
CAPITAL ASSETS		
Land and Land Improvements	215,246	215,246
Buildings and Improvements	26,112,977	6,606,015
Equipment	6,772,721	6,138,719
Construction in Progress	-	18,005,935
Subtotal	33,100,944	30,965,915
Less: Accumulated Depreciation and Amortization	(12,140,749)	(8,999,400)
Capital Assets, Net	20,960,195	21,966,515
Total Assets	$ 35,606,604	$ 38,509,990

See accompanying Notes to Financial Statements.

SOUTHEAST COLORADO HOSPITAL DISTRICT
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current Portion of Right-of-Use Liabilities	$ 833,718	$ 850,907
Current Portion of Long-Term Debt	299,590	16,170,000
Accounts Payable and Accrued Expenses	3,142,257	2,241,078
Construction Payable	-	1,254,842
Accrued Interest Payable	26,072	340,535
Deferred Revenues	62,029	134,607
Estimated Third Party Payor Settlements	-	83,515
Total Current Liabilities	4,363,666	21,075,484
RESIDENT DEPOSITS HELD IN TRUST	10,693	17,099
LONG-TERM DEBT, Net of Current Portion	15,604,282	-
RIGHT-OF-USE LIABILITY, Net of Current Portion	4,066,552	4,903,461
Total Liabilities	24,045,193	25,996,044
DEFERRED INFLOW OF RESOURCES	572,320	558,589
NET POSITION		
Net Investment in Capital Assets	7,049,198	6,864,651
Unrestricted Position (Deficit)	3,939,893	5,090,706
Total Net Position	10,989,091	11,955,357
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 35,606,604	$ 38,509,990

SOUTHEAST COLORADO HOSPITAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Net Patient and Resident Service Revenues	$ 16,260,567	$ 13,704,770
Clinic Revenues	1,959,906	2,043,456
Home Health, Hospice, and Therapy Revenues	554,923	428,654
Other Revenues	3,404,500	3,418,015
Total Operating Revenues	22,179,896	19,594,895
OPERATING EXPENSES		
Salaries and Benefits	13,995,284	13,584,415
Medical and Other Supplies	2,129,927	1,860,755
Purchased and Contracted Services	4,010,532	4,552,983
Repairs and Maintenance	497,689	397,112
Utilities and Telephone	303,978	286,506
State Provider Tax	328,967	285,144
Depreciation and Amortization	3,141,349	1,028,679
Other Expenses	857,644	753,510
Total Expenses	25,265,370	22,749,104
OPERATING LOSS	(3,085,474)	(3,154,209)
NONOPERATING REVENUES AND EXPENSES		
Incentive Revenues	2,517	5,666
Property Tax Revenues	572,279	558,589
Specific Ownership Tax Revenues	62,050	102,572
Investment Return	47,088	393,312
Interest Expense	(655,895)	(928,615)
Loss on Disposal of Property and Equipment	-	19,000
Noncapital Grants and Contributions	825,732	1,375,487
Other Nonoperating Revenues	29,189	48,633
Total Nonoperating Revenues and Expenses	882,960	1,574,644
DEFICIT OF REVENUES OVER EXPENSES	(2,202,514)	(1,579,565)
CAPITAL GRANTS AND CONTRIBUTIONS	1,236,248	323,155
DECREASE IN NET POSITION	(966,266)	(1,256,410)
Net Position - Beginning of Year	11,955,357	13,211,767
NET POSITION - END OF YEAR	$ 10,989,091	$ 11,955,357

SOUTHEAST COLORADO HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 21,521,518	$ 18,863,869
Payments to Salaries and Benefits	(14,003,868)	(13,582,747)
Payments to Suppliers and Contractors	(7,666,530)	(7,373,763)
Net Cash Used by Operating Activities	(148,880)	(2,092,641)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	47,088	393,312
(Purchase) Sale of Investments	2,494,752	8,044,911
Net Cash Provided by Investing Activities	2,541,840	8,438,223
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	634,329	661,161
Noncapital Grants and Contributions	825,732	1,375,487
Deferred Revenues	(70,061)	(45,006)
Other Nonoperating Revenues	29,189	48,633
Net Cash Provided by Noncapital Financing Activities	1,419,189	2,040,275
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Contributions	1,236,248	323,155
Proceeds from Issuance of Long-Term Debt	16,172,000	-
Principal Paid on Long-Term Debt	(16,438,128)	-
Principal Paid on Leases	(854,098)	(538,042)
Interest Paid on Leases	(970,358)	(908,112)
Purchases of Capital Assets	(3,460,512)	(7,294,909)
Loss on Disposition of Capital Assets	-	19,000
Net Cash Used by Financing Activities	(4,314,848)	(9,719,144)
DECREASE IN CASH AND CASH EQUIVALENTS	(502,699)	(1,333,287)
Cash and Cash Equivalents - Beginning of Year	3,294,644	4,627,931
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,791,945	$ 3,294,644
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	$ 330,158	$ 974,015
Internally Designated Investments	2,461,787	2,320,629
Total Cash and Cash Equivalents	$ 2,791,945	$ 3,294,644

SOUTHEAST COLORADO HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest Expense	$ 970,358	$ 908,112
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES		
Capital Assets Acquired by Lease Obligation	$ -	$ 6,581,477
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	$ (3,085,474)	$ (3,154,209)
Adjustments to Reconcile Change in Operating Loss to Net Cash Used by Operating Activities:		
Deprecation and Amortization	3,141,349	1,028,679
Changes in:		
Accounts Receivable	48,481	(609,573)
Inventory	7,740	4,964
Prepaid Expenses and Other Assets	(8,584)	1,668
Estimated Third-Party Payor Settlements	(706,878)	(121,453)
Other Receivables	(446,712)	3,681
Resident Deposits Held in Trust	19	-
Accounts Payable and Accrued Expenses	901,179	753,602
Net Cash Used by Operating Activities	$ (148,880)	$ (2,092,641)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

Accounts Receivables

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

Inventories

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

Investments and Noncurrent Cash and Investments

Investments and noncurrent cash and investments include funds held by the District under Colorado Public Deposit Protection Act (PDPA). Internally designated investments primarily include assets set aside by the board of directions for future capital improvements and costs related to COVID (see Note 4), over which the board of directors retains control and may at its discretion subsequently use for other purposes. Also includes assets held by trustees under bond indenture agreements. Amounts required to meet current liabilities of the District are included in current assets.

Resident Deposits Held in Trust

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

Capital Assets

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

Cost of Borrowing

Borrowing costs attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale were expensed during 2025 and 2024. This is in accordance with the requirements set out in GASB No. 89 "Accounting for Interest Costs Incurred Before the End of a Construction Period" effective for periods beginning after December 15, 2019.

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

Property Taxes

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15. There were no property tax abatements for the years ending December 31, 2025 and 2024.

Deferred Inflows of Resources

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

Compensated Absences

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

At December 31, 2025 and 2024, the District had liabilities for accrued vacation of approximately $550,000 and $570,000, respectively, and are included in the Accounts Payable and Accrued Expenses in the accompanying statements of revenues, expenses, and changes in net position.

Net Position

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

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

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

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

Net Position (Continued)

Restricted Nonexpendable – equal the principal portion of permanent endowments.

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

Net Patient and Resident Service Revenue

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

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without change or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are reported as gross revenue and as a contractual adjustment to determine total operating revenue. The cost of the charity care provided was approximately $491,000 and $82,000 for the years ending December 31, 2025 and 2024, respectively.

Grants and Contributions

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

Restricted Resources

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

Operating Revenues and Expenses

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

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

Fair Value Measurements

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

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

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

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

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

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

As of December 31, 2025 and 2024 none of the District's financial instruments met the criteria for measurements of the fair value hierarchy.

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

Leases

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

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

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

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

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

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

Budgetary Accounting

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

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

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

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

Budgetary Accounting (Continued)

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

Subsequent Events

In preparing these financial statements, the District has considered events and transactions for potential recognition or disclosure through June 18, 2026, the date the financial statements were available to be issued.

NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE

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

Medicare

As a critical assess hospital, all Medicare revenue sources except Ambulance, Home Health, and Hospice are reimbursed on a cost plus 1 % basis. Other Medicare revenues are paid on a per unit of service basis. The hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2022.

Medicaid

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

NOTE 2 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Blue Cross

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

Other

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

Revenue from the Medicare and Medicaid programs accounted for approximately 42% and 33%, respectively, of the District's net patient and resident revenue for 2025 and 40% and 33%, respectively, for 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient and resident revenue in 2025 and 2024 had no change due to removal of allowances previously estimated that are no longer subject to audits, reviews, and investigations.

NOTE 3 ACCOUNTS RECEIVABLE

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

	2025	2024
Receivables from Patients and Their Insurance Carriers	$ 5,521,640	$ 5,332,213
Receivables from Medicare	1,361,755	1,720,757
Receivables from Medicaid	707,401	470,336
Less: Contractual Adjustments and Allowance for Uncollectible Accounts	(4,805,683)	(4,689,712)
Total Accounts Receivable	$ 2,785,113	$ 2,833,594

NOTE 4 DEPOSITS, INVESTMENTS, AND NONCURRENT CASH AND INVESTMENTS

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

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

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

	2025		2024	
	Carrying Balance	Bank Balance	Carrying Balance	Bank Balance
Insured (FDIC)	$ 297,071	$ 935,633	$ 90,230	$ 673,626
Uninsured, collaterized under the Public Deposit Protection Act of the State of Colorado	2,497,421	2,279,829	3,199,656	3,455,492
Cash with the County Treasurer	2,375	-	4,018	-
Cash on Hand	8,146	-	21,876	-
Total Cash and Deposits	$ 2,805,013	$ 3,215,462	$ 3,315,780	$ 4,129,118

	2025	2024
Cash and Cash Equivalents	$ 2,805,013	$ 3,315,780

	2025	2024
Cash and Cash Equivalents	$ 330,158	$ 974,015
Investments	2,375	4,018
Internally Designated Investments	2,461,787	2,320,629
Residents Deposits Held in Trust	10,693	17,118
Total Cash and Deposits	$ 2,805,013	$ 3,315,780

Deposits with a balance of $2,497,421 and $3,199,656 and a carrying balance of $2,279,829 and $3,455,492 as of December 31, 2025 and 2024, respectively, are uninsured and exposed to custodial risk, and are collateralized with securities held by the pledging financial institutions.

Investments

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

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

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

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

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

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

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

The District has the following recurring fair value measurement as of December 31, 2025 and 2024:

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

Investment return consisted of the following for the year ending December 31, 2025 and 2024:

	2025	2024
Interest Income	$ 47,088	$ 393,312

Restricted by Trustee

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

Restricted by Trustee – Project Fund

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

Restricted by Trustee – Interest Fund

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

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

Other Reserves

Debt Service Reserve Fund

Under the terms of the Series 2025 Bonds (see Note 7), the District is required to fund a debt service reserve fund equal to the average annual principal and interest payment. The debt service reserve fund will be funded at a rate annually of one-tenth of the average annual principal and interest payment of the Series 2025 Bonds. As of December 31, 2025 the debt service reserve fund is $0.

Capital Asset Replacement Reserve Fund

Under the terms of the Series 2025 Bonds (see Note 7), the District is required to fund a capital asset replacement reserve fund. The District is required to make periodic deposits into the capital asset replacement reserve fund to accumulate a balance in accordance with the 15-year asset replacement plan prepared by the District. As of December 31, 2025 the capital asset replacement reserve fund is $0.

The noncurrent cash and investments are included as follows on the balance sheets at December 31, 2025 and 2024:

	2025	2024
Restricted by Trustee - Project Fund	$ -	$ 2,007,883
Restricted by Trustee - Interest Fund	-	485,226
Total Assets Limited as to Use	$ -	$ 2,493,109

Assets limited as to use are invested in the following:

	Fair Value	
	2025	2024
Money Market Fund	$ -	$ 2,493,109

	Cost	
	2025	2024
Money Market Fund	$ -	$ 2,493,109

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2025	2024
Payable to Employees	$ 990,715	$ 989,266
Payable to Supplies	1,819,542	919,812
Claims Incurred But Not Reported- Health Insurance	332,000	332,000
Total Accounts Payable and Accrued Expenses	$ 3,142,257	$ 2,241,078

NOTE 6 CAPITAL ASSETS

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

	December 31, 2024	Additions	Retirements	Transfers	December 31, 2025
Land	$ 102,227	$ -	$ -	$ -	$ 102,227
Land Improvements	113,019	-	-	-	113,019
Buildings and Improvements	6,606,015	-	-	19,506,962	26,112,977
Equipment	6,138,719	87,151	-	546,851	6,772,721
Construction in Progress	18,005,935	2,047,878	-	(20,053,813)	-
Total	30,965,915	2,135,029	-	-	33,100,944
Less: Accumulated Deprecation	(8,999,400)	(3,141,349)	-	-	(12,140,749)
Capital Assets, Net	$ 21,966,515	$ (1,006,320)	$ -	$ -	$ 20,960,195

	December 31, 2023	Additions	Retirements	Transfers	December 31, 2024
Land	$ 102,227	$ -	$ -	$ -	$ 102,227
Land Improvements	113,019	-	-	-	113,019
Buildings and Improvements	6,606,015	-	-	-	6,606,015
Equipment	5,661,957	-	(65,338)	542,100	6,138,719
Construction in Progress	9,733,061	9,969,393	-	(1,696,519)	18,005,935
Total	22,216,279	9,969,393	(65,338)	(1,154,419)	30,965,915
Less: Accumulated Deprecation	(8,332,796)	(1,028,679)	-	362,075	(8,999,400)
Capital Assets, Net	$ 13,883,483	$ 8,940,714	$ (65,338)	$ (792,344)	$ 21,966,515

Construction in progress related primarily to the repositioning of the hospital campus. The project had an anticipated to cost approximately $17,000,000 was completed in February 2025. The project was funded with bond anticipation notes which were converted into permanent financing after the completion of construction.

NOTE 7 LONG-TERM DEBT

Long-term debt is as follows on the balance sheet at December 31, 2025 and 2024:

Description	2025	2024
Southeast Colorado Hospital District Hospital Hospital Facilities Revenue Bonds, Series 2025 (USDA Community Facilities Direct Loans); 2.50% interest rate; annual principal and interest payments due through maturity of January 2060.	$ 15,903,872	$ -
Southeast Colorado Hospital District Hospital Enterprise Bond Anticipation Notes Series 2023; 5.00% interest rate; annual interest payments due through maturity of February 2025 and principal due at maturity.	-	16,170,000
Total	15,903,872	16,170,000
Less: Current Portion of Lease Payable	(299,590)	(16,170,000)
Long-Term Debt, Net of Current Portion	$ 15,604,282	$ 16,170,000

NOTE 7 LONG-TERM DEBT (CONTINUED)

Under the terms of the USDA Community Facilities Direct Loan Series 2025 (Series 2025 Bonds) places limits on the incurrence of additional borrowing and requires the District to satisfy certain measures of financial performance as long as the Series 2025 Bonds are outstanding. Under the terms of the Series 2025 Bonds, management is not aware of noncompliance with any covenants as of December 31, 2025, other than not being incompliance with the Days Cash on Hand covenant, which is not considered an event of default..

Under the terms of the Series 2023 Bond Anticipation Notes (Series 2023 BANs) and trust indenture, the District was required to maintain certain deposits with a trustee. Such deposits were included with assets limited as to use. The Series 2023 BANs also places limits on the incurrence of additional borrowing and requires the District to satisfy certain measures of financial performance as long as the Series 2023 BANs are outstanding. The Series 2023 BANs were paid in full in January 2025.

A schedule of changes in the District's long-term debt consisted of following at December 31:

	December 31, 2024	Additions	Retirements	December 31, 2025	Amounts Due Within One Year
Long-Term Debt	$ 16,170,000	$ 16,172,000	$ (16,438,128)	$ 15,903,872	$ 299,590

	December 31, 2023	Additions	Payments	December 31, 2024	Amounts Due Within One Year
Long-Term Debt	$ 16,170,000	$ -	$ -	$ 16,170,000	$ 16,170,000

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

Year Ending December 31,	Principal	Interest
2026	$ 299,590	$ 394,179
2027	307,166	386,603
2028	314,934	378,836
2029	322,898	370,871
2030	331,064	362,706
Thereafter	14,328,220	5,848,911
Total	$ 15,903,872	$ 7,742,106

NOTE 8 LEASE PAYABLE

Lease payables consisted of following at December 31:

Description	2025	2024
A lease purchase agreement for the purchase of a lab equipment was executed March 24, 2023. The original amount was $120,000 with interest at 4.50% for 5 years with payment of $2,237 per month.	$ 57,342	$ 80,431
A lease purchase agreement for the purchase of HVAC Equipment was executed October 15, 2016. The original amount was $2,805,329 with interest at 3.24% for 10 years with payments of $28,378 per month. (An additional principal payment of $90,645 was made on December 28, 2016.)	280,920	606,340
A lease purchase agreement for the purchase of Pain Management Equipment was executed March 28, 2024. The original amount was $124,000 with interest at 5.97% for 5 years with payments of $2,396 per month.	82,760	105,814
A lease purchase agreement for the purchase of Copier Equipment was executed August 1, 2024. The original amount was $47,843 with interest at 13.83% for 5 years with payments of $1,109 per month.	33,179	43,198
A lease purchase agreement for the purchase of Eletronic Medical Record system was executed May 24, 2023. The original amount was $5,089,396 with an inputed interest rate at 5.00% for 10 years with payments of $58,805 per month.	4,446,069	4,918,585
Total	4,900,270	5,754,368
Less: Current Portion of Lease Payable	(833,718)	(850,907)
Lease Payable, Net of Current Portion	$ 4,066,552	$ 4,903,461

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

	December 31, 2024	Additions	Retirements	December 31, 2025	Amounts Due Within One Year
Leases Payable	$ 5,754,368	$ -	$ (854,098)	$ 4,900,270	$ 833,718

	December 31, 2023	Additions	Payments	December 31, 2024	Amounts Due Within One Year
Leases Payable	$ 1,031,169	$ 5,261,241	$ (538,042)	$ 5,754,368	$ 850,907

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

NOTE 8 LEASE PAYABLE (CONTINUED)

	2025	2024
Equipment	$ 9,637,780	$ 9,637,780
Less: Accumulated Amortization	(2,744,635)	(2,815,276)
Total Right-of-Use Assets, Net	$ 6,893,145	$ 6,822,504

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

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

Year Ending December 31,	Principal	Interest
2026	$ 833,718	$ 225,151
2027	582,062	192,496
2028	592,525	161,901
2029	581,319	131,368
2030	603,841	101,819
Thereafter	1,706,805	116,151
Total	$ 4,900,270	$ 928,886

NOTE 9 BUDGET

A comparison for budgeted and actual revenues and expenditures as of December 31, 2025 and 2024 is presented in the following schedule (this comparison is not a schedule of operations):

	2025		2024	
	Actual	Budget	Actual	Budget
Revenues	$ 22,179,896	$ 27,271,505	$ 19,594,895	$ 28,188,538
Expenditures	$ 25,265,370	$ 24,763,440	$ 22,749,104	$ 25,290,077

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN

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

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

NOTE 10 DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

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

The District has no outstanding pension liability at year end.

Deferred Compensation Plan

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

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

Eligible voluntary employee contributions were $268,456 and $257,200 for the years ending December 31, 2025 and 2024, respectively.

NOTE 11 COMMITMENTS 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 illness; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters

Taxpayer’s Bill of Rights

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

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

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

Health Care

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

Contingent Liabilities

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

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

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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Southeast Colorado Hospital District
Springfield, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeast Colorado Hospital District (the District), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 18, 2026

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Southeast Colorado Hospital District
Springfield, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southeast Colorado Hospital District (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2025. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative* Requirements*, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

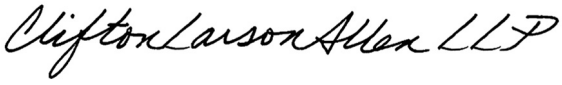
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Southeast Colorado Hospital District

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the of 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. We have issued our report thereon, dated June 18, 2026 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 18, 2026

SOUTHEAST COLORADO HOSPITAL DISCTIRCT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Passed-Through to Subrecipients
U.S. Department of Agriculture				
Community Facilities Loans and Grants	10.766	NA	$ 16,172,000	$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SOUTHEAST COLORADO HOSPITAL DISCTIRCT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025

NOTE1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Southeast Colorado Hospital District (the District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the applicable requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

No funds were identified as having been provided to subrecipients by the District and accordingly, no funds identified in the Schedule are attributable to subrecipient entities. There were no federal awards expended for noncash assistance or insurance. The District has elected to use the 10% de minimis indirect cost rate allowable under the Uniform Guidance.

NOTE 3 LOANS OUTSTANDING

The USDA loans have an outstanding balance of $15,903,872 as of December 31, 2025.

SOUTHEAST COLORADO HOSPITAL DISCTIRCT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025

Section I – Summary of Auditors' Results

Financial Statements

1. Internal control over financial reporting:
   - Material weakness(es) identified? _____ yes _____X_____ no
   - Significant deficiency(is) identified that are not considered to be material weakness(es)? _____ yes _____X_____ no
2. Type of auditors' report issued: Unmodified
3. Noncompliance material to financial statements noted? _____ yes _____X_____ no

Federal Awards

4. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes _____X_____ no
   - Significant deficiency(is) identified that are not considered to be material weakness(es)? _____ yes _____X_____ no
5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____X_____ no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: $ 1,000,000

Auditee qualified as low-risk auditee? _____ yes _____X_____ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards.*

Section III – Findings and Questioned Costs – Major Federal Programs

There were no findings in the current year that were required to be reported in accordance with 2 CFR 200.516(a).



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