SOUTH PARK HEALTH SERVICE DISTRICT
Park County, Colorado

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

SOUTH PARK HEALTH SERVICE DISTRICT
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WIPFLI

Board of Directors
South Park Health Service District
Park County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of South Park Health Service 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 respective financial position of the governmental activities and the general fund of South Park Health Service District as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

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Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require 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 opinions on the basic financial statements are not affected by this missing information.

Wipfli LLP

Wipfli LLP
Denver, Colorado

September 11, 2026

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BASIC FINANCIAL STATEMENTS

SOUTH PARK HEALTH SERVICE DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS	
Cash and Investments	$ 5,264,244
Cash and Investments - Restricted	49,500
Accounts Receivable	250,345
Prepaid Insurance	13,679
Capital Assets:	
Capital Assets Not Being Depreciated	890,736
Capital Assets Net of Depreciation	337,287
Total Assets	6,805,791
LIABILITIES	
Accounts Payable	271,634
Total Liabilities	271,634
NET POSITION	
Net Investment in Capital Assets	1,228,023
Restricted for:	
Emergency Reserve	49,500
Unrestricted	5,256,634
Total Net Position	$ 6,534,157

See accompanying Notes to Basic Financial Statements.

SOUTH PARK HEALTH SERVICE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 150,348	$ 12	$ -	$ -	$ (150,336)
Clinic Operations	457,002	-	-	-	(457,002)
Health Service Support	25,060	-	-	-	(25,060)
Total Governmental Activities	$ 632,410	$ 12	$ -	$ -	(632,398)
GENERAL REVENUES					
Sales Tax Revenue					1,434,104
Motor Vehicle Tax Revenue					7,495
Interest Income					205,816
Total General Revenues and Transfers					1,647,415
CHANGES IN NET POSITION					1,015,017
Net Position - Beginning of Year					5,519,140
NET POSITION - END OF YEAR					$ 6,534,157

See accompanying Notes to Basic Financial Statements.

SOUTH PARK HEALTH SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2025

	General	Total Governmental Funds
ASSETS		
Cash and Investments	$ 5,264,244	$ 5,264,244
Cash and Investments - Restricted	49,500	49,500
Accounts Receivable	250,345	250,345
Prepaid Insurance	13,679	13,679
Total Assets	$ 5,577,768	$ 5,577,768
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 271,634	$ 271,634
Total Liabilities	271,634	271,634
FUND BALANCES		
Nonspendable:		
Prepaid Expense	13,679	13,679
Restricted for:		
Emergency Reserves	49,500	49,500
Unassigned	5,242,955	5,242,955
Total Fund Balances	5,306,134	5,306,134
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,577,768	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,228,023
Net Position of Governmental Activities		$ 6,534,157

See accompanying Notes to Basic Financial Statements.

SOUTH PARK HEALTH SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025

	General	Total Governmental Funds
REVENUES		
Sales Tax Revenue	$ 1,434,104	$ 1,434,104
Motor Vehicle Tax Revenue	7,495	7,495
Interest Income	205,816	205,816
Rent Income	12	12
Total Revenues	1,647,427	1,647,427
EXPENDITURES		
Current:		
General and Administrative	150,348	150,348
Clinic Expenditures	426,436	426,436
Health Service Support	25,060	25,060
Pharmacy Expenditures	36,360	36,360
Rehabilitation Services Expenditures	61,989	61,989
Total Expenditures	700,193	700,193
NET CHANGE IN FUND BALANCES	947,234	947,234
Fund Balances - Beginning of Year	4,358,900	4,358,900
FUND BALANCES - END OF YEAR	$ 5,306,134	$ 5,306,134

See accompanying Notes to Basic Financial Statements.

SOUTH PARK HEALTH SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	$	947,234
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.		
Capital Outlay		79,259
Depreciation Expense		(11,476)
Changes in Net Position of Governmental Activities	$	1,015,017

See accompanying Notes to Basic Financial Statements.

SOUTH PARK HEALTH SERVICE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sales Tax Revenue	$ 1,150,000	$ 1,434,104	$ 284,104
Motor Vehicle Tax Revenue	5,000	7,495	2,495
Interest Income	100,000	205,816	105,816
Rent Income	12	12	-
Rehabilitation Services Revenue	75,000	-	(75,000)
Total Revenues	1,330,012	1,647,427	317,415
EXPENDITURES			
Accounting	60,000	59,997	3
Ancillary Costs (Hrrmc)	18,000	-	18,000
Auditing	5,200	6,996	(1,796)
Capital Outlay - Pharmacy Expenditures	2,500,000	36,360	2,463,640
Directors' Fees	6,000	6,600	(600)
District Management	75,000	-	75,000
Dues and Membership	1,500	925	575
Insurance	10,000	11,470	(1,470)
Landscaping	2,000	1,206	794
Legal	50,000	52,453	(2,453)
Miscellaneous	-	38	(38)
Contingency	39,840	-	39,840
Operations (Hrrmc)	475,000	399,998	75,002
Payroll Taxes	460	520	(60)
Promotion And Outreach	12,000	11,349	651
Repairs And Maintenance	7,500	4,880	2,620
Rocky Mountain Rural Health	21,000	25,060	(4,060)
Security	1,500	2,880	(1,380)
Snow Removal	2,000	625	1,375
Utilities - Electric	3,000	4,978	(1,978)
Utilities - Phone & Internet	1,500	2,604	(1,104)
Utilities - Water & Sanitation	4,000	5,070	(1,070)
Utilities - Gas	6,000	4,195	1,805
Website	500	-	500
Election	5,000	-	5,000
Capital Outlay - Clinic Expenditures	5,000	-	5,000
Operations (Hrrmc)	105,500	-	105,500
Ancillary Costs (Hrrmc)	5,000	-	5,000
Rehabilitation Services Setup Costs	50,000	18,924	31,076
Repairs And Maintenance	7,500	-	7,500
Capital Outlay - Rehabilitation Services	100,000	42,900	57,100
Landscaping	2,000	-	2,000
Security	1,500	-	1,500
Snow Removal	2,000	-	2,000
Electric	3,000	-	3,000
Gas	6,000	165	5,835
Telephone & Internet	1,500	-	1,500
Water & Sanitation	4,000	-	4,000
Total Expenditures	3,600,000	700,193	2,899,807
NET CHANGE IN FUND BALANCE	(2,269,988)	947,234	3,217,222
Fund Balance - Beginning of Year	4,150,402	4,358,900	208,498
FUND BALANCE - END OF YEAR	$ 1,880,414	$ 5,306,134	$ 3,425,720

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

South Park Health Service District (the District), is a quasi-municipal corporation and political subdivision located in the Town of Fairplay, Park County, Colorado and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was formed by order and decree of the District Court in and for Park County on July 13, 2017. The formation of the District was approved by the Town of Fairplay, Colorado.

The District was organized and established to assist in funding essential health services in the South Park region of Park County, including pediatric care, mental health services, dental, pharmaceutical, and other health services.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees, and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are sales tax and motor vehicle tax revenue. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental fund:

The General Fund is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Sales Tax

Upon the approval of the District's eligible electors, the District levies a uniform 1% sales tax throughout the entire geographical area of the District upon every transaction or other incident with respect to which a sales tax is levied by the state, except that such sales tax shall not be levied on the sale of cigarettes.

Rent Income

Pursuant to the HRRMC Agreement between the District and the Salida Hospital District, dba: Heart of the Rockies Regional Medical Center (HRRMC), HRRMC agrees to lease the premises located at 525 Hathaway Street, Fairplay, Colorado 80440 for $12.00 per year.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Building and Improvements	50 Years
Machinery and Equipment	7 Years

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

Net position for the District is reported in three classifications: net investment in capital assets, restricted and unrestricted. Restricted net position includes net position with restrictions that are imposed by outside parties, constitutional provision, or legislation.

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* (Statement 102). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 5,264,244
Cash and Investments - Restricted	49,500
Total Cash and Investments	$ 5,313,744

Cash and investments as of December 31, 2025, consist of the following:

Deposits with Financial Institutions	$ 27,158
Investments	5,286,586
Total Cash and Investments	$ 5,313,744

Deposits with Financial Institutions

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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

On December 31, 2025, the District's cash deposits had a bank and carrying balance of $27,158.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has adopted a formal investment policy and follows state statutes regarding investments.

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2025, the District had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 5,286,586
		$ 5,286,586

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 388,421	$ -	$ -	$ 388,421
Construction in Progress	423,056	79,259	-	502,315
Total Capital Assets, Not Being Depreciated	811,477	79,259	-	890,736
Capital Assets, Being Depreciated:				
Building	392,672	-	-	392,672
Machinery and Equipment	6,687	-	-	6,687
Total Capital Assets, Being Depreciated	399,359	-	-	399,359
Less Accumulated Depreciation for:				
Accumulated Depreciation	(50,596)	11,476	-	(62,072)
Total Accumulated Depreciation	(50,596)	11,476	-	(62,072)
Total Capital Assets, Being Depreciated, Net	348,763	(11,476)	-	337,287
Governmental Activities Capital Assets, Net	$ 1,160,240	$ 67,783	$ -	$ 1,228,023

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$ 11,476

NOTE 5 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets in the amount of $1,228,023.

NOTE 5 NET POSITION (CONTINUED)

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2025, in the amount of $49,500 for Emergency Reserves.

NOTE 6 AGREEMENTS

Care Collaboration Agreement

The District entered into Care Collaboration Agreement (the HRRMC Agreement) with the Salida Hospital District, dba: Heart of the Rockies Regional Medical Center (HRRMC) effective March 1, 2023 to enhance health care services by providing access to HRRMC resources to enable patients to receive services within the District service area where medically appropriate. Pursuant to the HRRMC Agreement, HRRMC agrees to establish and operate a medical practice authorized to engage in the practice of medicine in the state of Colorado, to furnish certain services through the operation of a clinic located in a medical clinic building at 525 Hathaway Street, Fairplay, Colorado. During the term of the HRRMC Agreement, and subject to annual appropriation, the District shall pay to HRRMC an annual subsidy to support medical practice operations of not less than $175,000 and not more than $400,000, to be reconciled to actual costs at the end of each calendar year. HRRMC agrees to lease the premises at 525 Hathaway Street, Fairplay, Colorado for $12.00 per year.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

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.

TABOR 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's management has taken steps it believes are necessary to comply with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.