AUDITED FINANCIAL STATEMENTS

WEST CUSTER COUNTY HOSPITAL DISTRICT

WESTCLIFFE, COLORADO

December 31, 2025 and 2024

CONTENTS

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis - required supplementary information	i - v
Basic Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14
Other Supplementary Information	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual (Budgetary Basis)	15
Budget Reconciliation	16
Schedules of Operating Expenses - By Department	17

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Independent Auditor's Report

September 24, 2026

Board of Directors
West Custer County Hospital District
Westcliffe, Colorado

Opinions

We have audited the accompanying financial statements of the business type activities of the West Custer County Hospital District (the District) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the West Custer County Hospital District as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 related 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
West Custer County Hospital District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darrem, Ross & DeMardo, Inc.

Management's Discussion and Analysis

West Custer County Hospital District
Management's Discussion and Analysis
For the years ended December 31, 2025, 2024 and 2023

The intent of the management discussion and analysis is to provide highlights of the West Custer County Hospital District's financial activities for the fiscal years ending December 31, 2025, 2024 and 2023. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

District Operations

The District operates as a Special District under the authority of the laws of the State of Colorado, Department of Public Health & Environment. The activities of the District include operating a Chapter IX Rural Health Clinic and an emergency ambulance service referred to as Custer County EMS.

Overview of Financial Statements

The District's basic financial statements include a statement of net position, a statement of revenue, expenses and changes in net position, statement of cash flows and notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

The statement of net position (formerly the balance sheet) presents the financial position of the District. It presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The statement of cash flows presents information on the effects changes in assets and liabilities have on cash during the course of the year.

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 7-13 of this report.

Financial Analysis

A condensed summary of the District's statements of revenues, expenses and changes in net position for the years ended December 31 is presented below:

Financial Analysis (Continued)

Program Revenues	2025	2024	Dollar Change	Percent Change	2023	Dollar change	Percent Change
Patient/ambulance fees - various	$ 752,658	$ 823,894	($ 71,236)	(8.65%)	$ 735,077	$ 88,817	12.08%
Other operating revenue	79,748	86,239	(6,491)	(7.53%)	69,304	16,935	24.44%
Administrative adjustments / write offs	(406,560)	(489,618)	83,058	16.96%	(462,411)	(27,207)	(5.88%)
Total Program Revenues	425,846	420,515	5,331	1.27%	341,970	78,545	(22.97%)
Program Expenses							
Administration	176,862	153,286	(23,576)	(15.38%)	101,796	(51,490)	(50.58%)
Ambulance service	1,065,929	1,012,797	(53,132)	(5.25%)	997,726	(15,071)	(1.51%)
Central Service & Supply	-	-	-	-	-	-	-
Maintenance & operation	583,790	445,793	(137,997)	(30.96%)	354,205	(91,588)	(25.86%)
Total Program Expenses	1,826,581	1,611,876	(214,705)	(13.32%)	1,453,727	(158,149)	(10.88%)
Nonoperating Revenues and Expenses							
Taxes	1,336,670	1,467,740	(131,070)	(8.93%)	1,066,246	401,494	37.65%
Grants and donations	24,649	20,808	3,841	18.46%	12,252	8,556	69.83%
Investment income	41,683	54,665	(12,982)	(23.75%)	55,688	(1,023)	(1.84%)
Gain/(loss) sale of assets	-	-	-	-	-	-	-
Treasurer's fees	(59,196)	(57,180)	(2,016)	(3.53%)	(46,150)	(11,030)	(23.90%)
Net Other Revenues and (Expenses)	1,343,806	1,486,033	(142,227)	(9.57%)	1,088,036	397,997	36.58%
Income (Loss) Before Capital Contributions	(56,929)	294,672	(351,601)	(119.32%)	(23,721)	318,393	1,342.24%
Capital Contributions	-	86,359	(86,359)	(100.00%)	18,250	68,109	373.20%
Change in Net Position	($ 56,929)	$ 381,031	($ 437,960)	(114.94%)	($ 5,471)	$ 386,052	7064.56%

Program Revenues – Patient Fees

Patient/ambulance fees decreased by $71,236 compared to 2024. Net program revenue increased by a net of $5,331.

Operating and Nonoperating Revenues

Nonoperating revenues consist of three primary sources. The most significant source is tax revenues, which include property and specific ownership taxes, totaling $1,336,670 or a decrease from 2024 of $131,070.

Grants and donations and capital contributions totaled $24,649 which is a decrease from 2024 of $82,518. Revenues from this source tend to vary from year to year to a greater degree than other revenues dependent upon grant sources available to the District. These revenues are often restricted to specific purposes such as capital asset purchases.

Total Program Expenses

Total program expenses for the 2025 fiscal year totaled $1,826,581 compared to the prior year of $1,611,876. This is an increase of $214,705 or 13.32%. The District had a 10.88% increase in expenses from 2023 to 2024. Combined expenses are comprised of several major categories or functional expense categories as shown in the table which summarizes the statement of revenues, expenses and changes in net position.

Major Functional Expense Categories

The largest functional expense categories were ambulance and maintenance and operations. These two categories account for over ninety percent of the total program expenses. The other functional expense category is administration. After the clinic operations being turned over to Heart of the Rockies the major expense of the District is for the ambulance. There are still some administrative and maintenance expenses.

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

Statement of Net Position	2025	2024	Dollar Change	Percent Change	2023	Dollar change	Percent Change
Capital Assets	$ 2,055,904	$ 1,902,696	$ 153,208	8.05%	$ 1,688,119	$ 214,577	12.71%
Current and Other Assets	3,002,263	2,712,059	290,204	10.70%	2,423,978	288,081	25.46%
Total Assets	5,058,167	4,614,755	443,412	9.61%	4,112,097	502,658	12.22%
Long-Term Liabilities	-	-	-		-	-	-
Other Liabilities	511,680	146,817	(364,863)	(248.52%)	66,985	(79,832)	(119.18%)
Total Liabilities	511,680	146,817	(364,863)	(248.52%)	66,985	(79,832)	(119.18%)
Deferred Inflows							
Unearned Property Taxes	1,320,011	1,184,533	(135,478)	(11.44%)	1,142,738	41,795	3.66%
Net Position							
Invested in Capital Assets, Net of Related Debt	2,055,904	1,902,696	153,208	8.05%	1,688,119	214,577	12.71%
Restricted	32,500	30,500	2,000	6.56%	32,500	(2,000)	(6.15%)
Unrestricted	1,138,072	1,350,209	(212,137)	(15.71%)	1,181,755	168,454	14.25%
Total Net Position	$ 3,226,476	$ 3,283,405	($ 56,929)	(1.73%)	$ 2,902,374	$ 381,031	13.13%

Net Position

The District's financial condition decreased by 1.73% from the previous year. During 2025 the District's net position decreased by $56,929, primarily from a decrease in nonoperating revenues and an increase in operating expenses.

The District's current liabilities which consist of accounts payable and various accruals, increased from 2024 in the amount of $364,863 as shown in the above table.

The net position of the District is reported in three categories. At December 31, 2025, $2,055,904 was invested in capital assets, net of related debt. This represents capital assets being used in the District's operations which are not otherwise available for appropriation since they do not represent liquid resources which could be spent. Total restricted net position consists of $32,500 for the emergency reserve required by the provisions of TABOR. Unrestricted net position represents those which are not restricted by external requirements on their use or are otherwise unavailable by their nature.

Capital Expenditures
During 2025, the District expended $274,263 in capital asset additions.

Long Term Debt
The District had no long-term debt outstanding as of December 31, 2025, 2024, or 2023.

Budget Highlights and Future Projects of the District
Health Care in rural Colorado is generally subsidized by their communities. This District has received this subsidized support for many years. As such, direct losses from operations is expected with shortfalls to be made up through mill levy tax revenues and donations. Below are other key highlights of past and future events of the Hospital District.

1. Mill levy and specific ownership taxes allocated to departments within the District on the financial statements may not necessarily restrict those funds to be utilized only in that department, but the allocation chosen is an internal reporting mechanism implemented to assist in providing a better visual picture of each department and may be subject to review and reallocation in the future.
2. EMS staffing remained stable in 2025. Positive traction was made in 2023 in securing Advanced Life Support personnel and since late spring 2020, there has been a Paramedic on duty 24/7. There remain six full-time positions available in EMS and all open positions are filled. We have also made improvement on off-duty staff responding to 2nd calls but having a guaranteed on-call crew remains elusive.
3. The long-term viability of Custer County EMS is always reviewed. The operations have stabilized, and the increased funds received through the new Medicaid cost report has improved the financial status of Custer County EMS.
4. The District has completed its goal to become a provider-based facility. A contract to partner with Heart of the Rockies Medical Center (HRRMC) was signed in April of 2020 and operations of the clinic were turned over to HRRMC on October 1, 2020. HRRMC will operate under the name of Custer County Health Center (CCHC). The Hospital District will continue to support the local medical clinic with mill levy funds. The Clinic will officially be a facility owned by WCCHD and ran by HRRMC. HRRMC secured a full-time medical doctor to join the practice and have brought in additional services to the community including free pharmacy daily deliveries, gynecology, orthopedics, pulmonary and cardiology. Becoming a provider-based rural health center will go a long way to ensure sustainability of the clinic.
5. HRRMC applied for on behalf of the Hospital District and was awarded a grant to purchase a new Xray machine and upgrade physical therapy equipment.
6. In 2022 the District plans to remodel a 600 square foot area of the clinic building to allow HRRMC to install and operate a full-service walk-in pharmacy. Westcliffe has not had a full-service pharmacy within 40 miles in decades. The project was completed, and the pharmacy opened in November 2023. The total cost of the Pharmacy remodel was just over $309,000. As of the opening of the pharmacy, HRRMC pays the District $2,000 per month for rent of this space.

7. In 2024 the District applied to the Colorado Department of Public Health and Environment (CDPHE) for an EMTS Funding Program Grant that would match 50% of the cost of an ambulance remount. It is anticipated that this acquisition will cost approximately $175,985 and will support the organization's ongoing commitment to enhancing emergency response capabilities.
8. As part of the District's ongoing efforts to address the challenges in recruiting and retaining paramedics within the County, in 2024 the District began the process to secure a grant that will reimburse the District for 50% of the tuition, books and travel costs to assist interested EMT's in obtaining their paramedic licensure. The remaining 50% of these costs will be covered by the District EMS continuing education budget. In return for this financial support, the EMT will be asked to sign a contract in which they remain employed with the District for a minimum of two years after receiving their paramedic license.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

West Custer County Hospital District, Attention: Finance Officer, 704 Edwards, Westcliffe, Colorado 81252

Basic Financial Statements

STATEMENTS OF NET POSITION
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 553,890	$ 342,130
Investments	968,352	1,027,284
Receivables	1,426,939	1,305,312
Inventories	26,842	30,684
Prepaid expenses	26,240	6,649
Capital assets, net of accumulated depreciation	2,055,904	1,902,696
Total Assets	5,058,167	4,614,755
Liabilities		
Accounts payable	442,226	119,418
Accrued liabilities		
Payroll taxes and employee benefits	8,396	578
Salaries	38,967	26,821
Compensated absences	22,091	-
Total Liabilities	511,680	146,817
Deferred Inflows of Resources		
Unavailable revenue - property tax	1,320,011	1,184,533
Net Position		
Invested in capital assets, net of related debt	2,055,904	1,902,696
Restricted:		
Emergency	32,500	30,500
Unrestricted	1,138,072	1,350,209
Total Net Position	$ 3,226,476	$ 3,283,405

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Ambulance fees	$ 752,658	$ 823,894
Other operating revenue	79,748	86,239
Administrative adjustments and write offs	(406,560)	(489,618)
Total Operating Revenues	425,846	420,515
Operating Expenses		
Administration	176,862	153,286
Ambulance service	1,065,929	1,012,797
Maintenance and operation	583,790	445,793
Total Operating Expenses	1,826,581	1,611,876
Operating Loss	(1,400,735)	(1,191,361)
Nonoperating Revenue (Expenses)		
General property tax	1,185,543	1,308,601
Specific ownership tax	151,127	159,139
Investment income	41,683	54,665
Grants	10,200	5,920
Contributions	14,449	14,888
Treasurer collection fees	(59,196)	(57,180)
Total Nonoperating Revenues	1,343,806	1,486,033
Income (Loss) Before Capital Contributions	(56,929)	294,672
Capital Grants and Contributions	-	86,359
Change in Net Position	(56,929)	381,031
Total Net Position - Beginning	3,283,405	2,902,374
Total Net Position - Ending	$ 3,226,476	$ 3,283,405

The accompanying notes to financial statements are an integral part of this statement.

STATEMENTS OF CASH FLOWS
WEST CUSTER COUNTY HOSPITAL DISTRICT
For the years ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	$ 439,150	$ 428,039
Cash payments to suppliers for goods and services	(534,407)	(587,587)
Cash payments to employees for services	(822,005)	(851,330)
Net Cash Used by Operating Activities	(917,262)	(1,010,878)
Cash Flows From Noncapital Financing Activities		
Cash received from property taxes	1,337,217	1,461,470
Cash paid for treasurers fees	(59,196)	(57,180)
Cash received from contributions, grants, and fundraisers	24,649	20,808
Net Cash Provided by Noncapital Financing Activities	1,302,670	1,425,098
Cash Flows From Capital and Related Financing Activities		
Cash received from grants	-	86,359
Acquisition of capital assets	(274,263)	(317,264)
Net Cash Used by Capital and Related Financing Activities	(274,263)	(230,905)
Cash Flows from Investing Activities		
Transfers (to) from investment accounts	100,000	37,352
Investment income	615	469
Net Cash Provided (Used) by Investing Activities	100,615	37,821
Net Increase (Decrease) in Cash and Cash Equivalents	211,760	221,136
Cash and Cash Equivalents - Beginning	342,130	120,994
Cash and Cash Equivalents - Ending	$ 553,890	$ 342,130
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	$ (1,400,735)	$ (1,191,361)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	121,055	102,687
(Increase) decrease in:		
Accounts receivable	13,304	7,524
Inventory	3,842	(11,743)
Prepaid expense	(19,591)	2,183
Increase (decrease) in:		
Accounts payable	322,808	88,716
Accrued expenses	42,055	(8,884)
Net Cash Used by Operations	$ (917,262)	$ (1,010,878)

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Form of Organization

The West Custer County Hospital District (Hospital District) is organized under the laws of the State of Colorado. It operates under the jurisdiction of a local board of directors whose members are elected by the voters of the District. The formation of the Hospital District was approved by the voters in 1988, and it subsequently began operations on January 1, 1989. Prior to the formation of the Hospital District, medical services in Custer County were provided by the Custer County Medical Foundation, a non-profit organization. The Foundation transferred all its assets to the Hospital District effective December 31, 1988 and was subsequently liquidated. The assets net of liabilities transferred at that time were $127,224.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District's significant policies are described below.

Reporting Entity

As defined by GAAP as established by GASB, the financial reporting entity consists of the primary government, as well as any component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as existing if the governing board of the of the primary government appoints a majority of the component unit's board, and either has the ability to impose its will or the component unit will provide a financial benefit or burden on the primary government or this is fiscal dependency on the primary government. Based on that criteria, no other organizations would be considered component units of the District.

The financial statements of the District consist only of its sole enterprise fund for ambulance services and has no other funds or account groups.

Contract with Heart of the Rockies Medical Clinic

The Hospital District contracted with the Heart of the Rockies Regional Medical Center (HRRMC) to take over the clinic operations of the Hospital District as of October 1, 2020.

The agreement allows HRRMC to lease from the Hospital District timeshare space and common areas of the medical building for $1 annually. Also, as part of the agreement the Hospital District will subsidize HRRMC a minimum of 1.8 mills annually with a maximum amount set at 3.085 mills. The Hospital District transferred all clinical equipment, furnishings and supplies to HRRMC.

The contract will remain in effect for two years from the effective date of October 1, 2020. At the end of the initial two year term the agreement will renew automatically for successive periods of 1 year each. The contract may be terminated by mutual agreement of the parties at any time upon the terms set forth in a written document signed by both parties. Either party may terminate this agreement without cause at any time by giving the other party 1 year's written notice.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's 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 the related cash flows.

Note 1 - Summary of Significant Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met. Capital grant funding represented amounts received or paid on behalf of the District for capital asset acquisition or construction of additions to the utility plant in service.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The primary source of revenue is ambulance fees. Operating expenses are reported in functional categories for ambulance service, maintenance and operation, central service and supply and administrative expenses and include depreciation on capital assets. Other revenues or expenses not meeting this definition are treated as nonoperating revenues and expenses. The principal nonoperating revenues are property and ownership taxes and grant revenue. The principal nonoperating expenses of the District include treasurer collection fees. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

All assets and liabilities, both current and noncurrent, are included in the statement of net position of proprietary funds.

Cash and Cash Equivalents

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents.

The District's policy is to state investments at their fair value and categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. 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 valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

Cash and investments are subject to Colorado State statutes as described in Note 3.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Purchased inventory of the District is stated at cost using the first in, first out method of determining inventory on hand. Physical counts were made of all inventory as of December 31, 2025 and 2024. Inventory was adjusted to reflect the amount determined by physical count.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Note 1 - Summary of Significant Policies (Continued)

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Assets purchased or constructed are valued at historical cost. Donated capital assets are valued at their estimated fair value at the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend the asset's life are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the estimated service life of the asset. Land is stated at cost and is not depreciated. Buildings and equipment are depreciated using straight-line depreciation based upon the following useful lives:

Buildings and improvements	15 - 39 years
Furniture and equipment	5 - 10 years
Vehicles	7 years

Property Taxes

Property taxes are levied on January 1 based on the assessed value of property as listed on the previous June 30, and are payable in two equal payments before the last day of February and the 15th day of June or in one full payment before the last day of April. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available.

Accounts Payable

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to December 31.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net assets by the District that is applicable to future reporting periods. Both deferred inflow and deferred outflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

The District has one item, property taxes, that is reported under deferred inflows. This item is deferred and recognized as an inflow of resources in the period that the amounts become available.

Accounting Principles - Risk Disclosures

GASB Statement No. 102, *Certain Risk Disclosures*. This statement will provide users of government financial statements with essential information about risk related to a government's vulnerabilities due to certain concentrations or constraints. The District adopted this standard on January 1, 2025, using the facts and circumstance in place at the time of adoption. The implementation of this statement did not affect beginning net position.

Accounting Principles - Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract.

Note 1 - Summary of Significant Policies (Continued)

Accounting Principles - Leases (Continued)

It establishes a single model for lease accounting based on the principal that leases are financings of the right to use an underlying asset. Under this standard, a lease is required to recognize a liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District currently has no leases that require application of this standard.

Accounting Principles - SBITA

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangments (SBITA)*. This standard requires the recognition of a right-to-use subscription, an intangible asset, and a corresponding liability. A subscription liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at present value of subscription payments expected to be made during the subscription term. Future payments are discounted using the interest rate that the SBITA vendor charges the government, which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. Amortization of the discount is recognized as an outflow of resources in subsequent reporting periods. The asset is measured as the sum of the initial liability, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received. Amortization of the asset is recognized as an outflow of resources over the subscription term. The District currently has no arrangements that require application of this standard.

Paid Time Off

The current paid time off policy (PTO) was adopted January 2023. PTO can be used for sick, vacation and personal days. The policy accrues PTO for each hour that is worked, excluding overtime hours. The amount of hours accrued varies depending on length of service. Unused PTO at the end of the year will be disbursed at the end of the calendar year, separate from the normal pay schedule. Accrued PTO as of December 31, 2025 and 2024 was $22,091 and $0, respectively. The accrued PTO is considered a current liability.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows or resources, liabilities, deferred inflows of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Data

Formal budgetary accounting is employed as a management control tool for the proprietary fund of the District. Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution. The budgetary amounts presented in the accompanying financial statements/schedules reflect original and most recent amended amounts which were adopted in accordance with the appropriate provisions of state law. Encumbrance accounting is not employed as part of the budgetary process.

Note 2 - Stewardship, Compliance and Accountability (Continued)

Budgetary Data (Continued)

Encumbrance accounting allows a governmental entity to account for open purchase orders (purchase orders for which the underlying goods or services have not been received before the end of an accounting period) as expenditures against the budget of that accounting period. Differences between the budgetary reporting basis and the generally accepted accounting principles (GAAP) basis used to reflect actual revenues and expenses are described as follows:

1. Accruals for compensated absences are not recognized on the budgetary basis and are treated as expenses on the GAAP basis.
2. Capital expenditures are treated as expenses on the budgetary basis. On the GAAP basis, capital expenditures are not treated as expenses.
3. Depreciation expense and gain (loss) on sale of capital assets is not recognized on the budgetary basis and are recognized on the GAAP basis.

All appropriations lapse at the end of each year.

Expenditures in Excess of Budget Amounts

During 2025 the District had expenditures which exceeded budgeted amounts, which may be a violation of Colorado Local Government Budget Law.

	Actual	Budget	Excess
General Fund	$ 2,016,894	$ 1,676,029	$ (340,865)

Tax, Revenue, Spending, and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitation, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the amendment. However, the District has made certain interpretations of the Amendment's language in order to determine it compliance.

On May 7, 1996, the District passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain, and expend all revenues and other funds collected during 1995 and thereafter. In addition, May 2, 2002, the voters approved an additional 2.113 mills to the property tax levy for the purpose of providing for additional staff and other operating costs. In November 2014, voters approved an additional 3 mills to the property tax levy to pay the costs of emergency medical ambulance services.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for such risks, including workers' compensation. Settled claims resulting from these risks did not exceed commercial insurance coverage during 2025 or 2024.

Concentration of Credit Risk

The District grants credit without collateral to its clients, most of whom are local residents and are insured under third-party payer agreements. The District has adjusted accounts receivables for all known uncollectible accounts and maintains an allowance for doubtful accounts which is adjusted based on the District's collection experience.

Note 2 - Stewardship, Compliance and Accountability (Continued)

Deferred Compensation Plan

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Effective January 1, 1997, the District no longer has a fiduciary responsibility to the plan.

Grant Funding

The District receives funding from Federal, State and foundation grants which may be subject to regulatory or other oversight by the granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by a granting agency would become a liability to the District. There are no such proceedings presently in progress.

Note 3 - Cash Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 equal to 102% of the aggregate uninsured deposits. As of December 31, 2025, the District had deposits over $250,000 in the amount of $342,047. These amounts are required to be collateralized under State statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk parallels Colorado statutes.

A summary of cash and investments held at year end follows:

	Carrying Amount	Less Than One Year	Less Than Five Years
Deposits:			
Checking	$ 553,890	$ 553,890	$ -
Investments:			
State investment pool (ColoTrust)	968,352	968,352	-
Total	$ 1,522,242	$ 1,522,242	$ -

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

The District has invested $968,352 in the Colorado Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust operates similarly to a money market fund and each share is equal in value to $1. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal functions of ColoTrust.

Note 3 - Cash Deposits and Investments (Continued)

Investments (Continued)

Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust. The District categorizes its fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. 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 does not have any investments that are measured using Level 1 or Level 3 inputs.

The District has the following recurring fair value measurements as of December 31, 2025:

The District's investment in ColoTrust are reported at fair value. However, this investment is not subject to the fair value hierarchy.

Interest Rate Risk - The District's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statues. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit Risk - The District does not have a policy which would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2025 the District's investment in Colo Trust rates AAAm by Standard and Poor's and Aaa by Moody's.

Note 4 - Receivables

Receivables consisted of the following at December 31:

	2025	2024
Due from customers for ambulance service	$ 169,693	$ 206,382
Less allowance for uncollectible amounts	(127,270)	(154,786)
Miscellaneous receivables	51,452	55,583
Taxes	1,333,064	1,198,133
Total Receivables	$ 1,426,939	$ 1,305,312

Note 5 - Changes in Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2025.

	December 31, 2024	Additions	Deletions	December 31, 2025
Land	$ 207,842	$ -	$ -	$ 207,842
Construction in progress	-	274,263	-	274,263
Building and improvements	2,046,768	-	-	2,046,768
Furniture and equipment	533,589	-	-	533,589
Vehicles	565,549	-	-	565,549
Totals	$ 3,353,748	$ 274,263	$ -	$ 3,628,011
Less depreciation	(1,451,052)			(1,572,107)
Net Capital Assets	$ 1,902,696			$ 2,055,904

Note 5 - Changes in Capital Assets (Continued)

Depreciation expense for the year ended December 31, 2025 was $121,055. Accumulated depreciation for the year ended December 31, 2025 was $1,572,107.

The following is a summary of the changes in capital assets for the year ended December 31, 2024.

	December 31, 2023	Additions	Deletions	December 31, 2024
Land	$ 207,842	$ -	$ -	$ 207,842
Construction in progress	286,212	-	286,212	-
Building and improvements	1,619,877	426,891	-	2,046,768
Furniture and equipment	528,989	4,600	-	533,589
Vehicles	393,564	171,985	-	565,549
Totals	$ 3,036,484	$ 603,476	$ 286,212	$ 3,353,748
Less depreciation	(1,348,365)			(1,451,052)
Net Capital Assets	$ 1,688,119			$ 1,902,696

Depreciation expense for the year ended December 31, 2024 was $102,687. Accumulated depreciation for the year ended December 31, 2024 was $1,451,052.

Note 6 - Net Position

The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets (net of related debt) is intended to reflect the portion of the net position that are associated with non-liquid capital assets, less outstanding capital asset related debt.

Restricted net position are amounts that have third-party limitation on their use. As of December 31, 2025 and 2024 restricted net position consisted of $32,500 and $30,500 for the Tabor Emergency Reserve.

Unrestricted net position are amounts that do not meet the definition of "invested in capital assets" or "restricted net position" and are available for the District's operations.

Other Supplementary Information

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET BASIS - BUDGET AND ACTUAL
WEST CUSTER COUNTY HOSPITAL DISTRICT
For the year ended December 31, 2025

	Original Budget	Final Budget	2025 Actual	Variance Favorable (Unfavorable)
Revenues				
Ambulance fees	$ 830,637	$ 830,637	$ 752,658	$ (77,979)
Other operating revenue	65,488	65,488	55,748	(9,740)
Administrative adjustments and write offs	(498,382)	(498,382)	(406,560)	91,822
Total Operating Revenues	397,743	397,743	401,846	4,103
Nonoperating Revenues				
General property tax	1,185,393	1,184,533	1,185,543	1,010
Specific ownership tax	150,000	150,000	151,127	1,127
Grant revenue	-	-	10,200	10,200
Capital grants and contributions	16,813	16,813	-	(16,813)
Investment income	59,240	59,240	41,683	(17,557)
Contributions	12,973	9,710	14,449	4,739
Other non-operating revenue	24,000	24,000	24,000	-
Total Nonoperating Revenues	1,448,419	1,444,296	1,427,002	(17,294)
Total Revenues	1,846,162	1,842,039	1,828,848	(13,191)
Operating Expenses				
Administration	247,958	247,958	172,508	75,450
Ambulance	974,047	974,047	973,254	793
Central Service and Supply	344,797	344,797	537,673	(192,876)
Other expenses and contingency	-	-	-	-
Total Administration	1,566,802	1,566,802	1,683,435	(116,633)
Nonoperating Expenditures				
Treasurer collection fees	59,270	59,227	59,196	31
Capital outlay	50,000	50,000	274,263	(224,263)
Total Nonoperating Expenses	109,270	109,227	333,459	(224,232)
Total Expenditures	1,676,072	1,676,029	2,016,894	(340,865)
Excess of Revenues Over (Under) Expenditures (Budgetary Basis)	170,090	166,010	(188,046)	(354,056)
Net Position - Beginning of Year	1,738,173	1,738,173	1,290,634	(447,539)
Net Position - End of Year	$ 1,908,263	$ 1,904,183	$ 1,102,588	$ (801,595)

The accompanying notes to financial statements are an integral part of this schedule.

BUDGET RECONCILIATION
WEST CUSTER COUNTY HOSPITAL DISTRICT
December 31, 2025

Reconciliation From Budgetary Basis to GAAP Basis of Accounting

Revenue (GAAP Basis)		$ 1,828,848
Less:		
Gain on sale of assets		-
	Revenue (Budgetary Basis)	1,828,848
Expenditures (GAAP Basis)		1,885,777
Plus:		
Capital outlay		274,263
Less:		
Change in paid time off accrual		(22,091)
Depreciation		(121,055)
	Expenditures (Budgetary Basis)	2,016,894
	Net Income (Loss)	$ (188,046)

The accompanying notes to financial statements are an integral part of this schedule.

SCHEDULES OF OPERATING EXPENSES - BY DEPARTMENT

WEST CUSTER COUNTY HOSPITAL DISTRICT

For the years ended December 31, 2025 and 2024

	2025	2024
Administration		
Salaries and employee benefits	$ 99,107	$ 91,686
Insurance	14,222	20,040
Payroll taxes	6,528	7,573
Contract labor	-	1,523
Supplies	3,000	6,070
Printing and election costs	21,373	-
Professional services	17,090	17,018
Publicity, subscriptions, dues	5,930	1,800
Marketing	-	127
Computer and IT expense	6,570	3,262
Telephone	2,977	4,187
Training	65	-
Total Administration	176,862	153,286
Ambulance Service		
Salaries and employee benefits	698,958	668,460
Payroll taxes	47,872	55,536
Contract labor	6,522	10,242
Continuing education	1,227	-
Supplies	69,976	47,747
Professional services	71,950	71,886
Marketing	3,737	374
Repairs and maintenance	29,225	28,306
Computer and IT expense	6,977	4,974
Insurance	34,927	26,967
Publicity, subscriptions, dues	1,047	799
Staff expense and training	3,777	18,923
Depreciation	74,938	66,398
Telephone	4,857	3,032
Travel	-	239
Utilities	9,939	8,914
Total Ambulance Service	1,065,929	1,012,797
Maintenance and Operation		
Contract labor	47,825	48,312
Repairs and maintenance	27,997	18,888
Professional services	31,138	60,032
Transition subsidy	430,713	282,272
Depreciation	46,117	36,289
Total Maintenance and Operation	583,790	445,793
Total Operating Expenses	$ 1,826,581	$ 1,611,876

The accompanying notes to financial statements are an integral part of this schedule.