

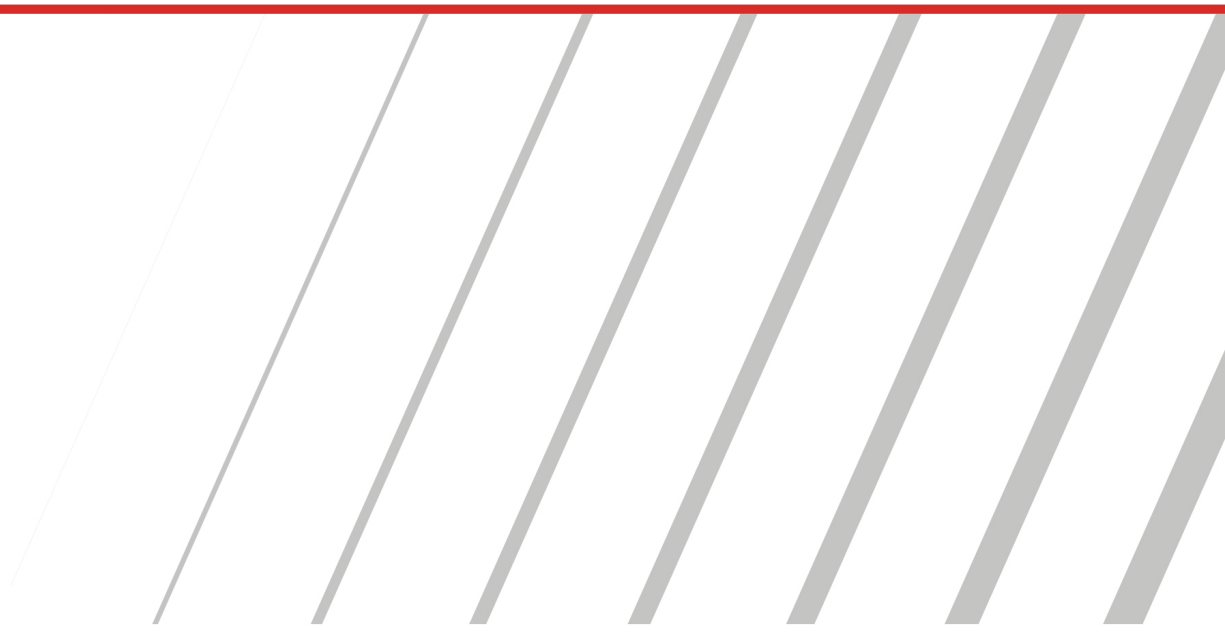


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# **Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center**

## **Independent Auditor's Report and Financial Statements**

December 31, 2023 and 2022



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**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center  
December 31, 2023 and 2022**

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## Independent Auditor's Report

Board of Directors  
Salida Hospital District  
d/b/a Heart of the Rockies Regional Medical Center  
Salida, Colorado

### **Opinion**

We have audited the financial statements of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Medical Center 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Medical Center adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

Board of Directors  
Salida Hospital District  
d/b/a Heart of the Rockies Regional Medical Center

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 Medical Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Medical Center'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 Medical Center'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.

Board of Directors  
Salida Hospital District  
d/b/a Heart of the Rockies Regional Medical Center

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and although not 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are fairly stated in all material respects in relation to the financial statements as a whole.

**FORVIS,LLP**

Denver, Colorado  
April 16, 2024

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022

### **Introduction**

Management's discussion and analysis of the financial performance of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center or "HRRMC") provides an overview of the Medical Center's financial activities for the years ended December 31, 2023 and 2022, with comparative information presented for the year 2021, which has not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* which should be read in conjunction with the accompanying financial statements of the Medical Center. The information and financial data included in the management's discussion and analysis relate to either Heart of the Rockies Regional Medical Center or the Medical Center and its blended component unit, Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (the Foundation), collectively referred to as the Organization.

### **Financial Highlights**

#### **Organization**

- Cash and investments increased by \$10,452,445 in 2023 and increased by \$1,456,335 in 2022
- Net position increased in 2023 by \$15,220,025 and increased in 2022 by \$11,667,880

#### **Heart of the Rockies Regional Medical Center (Medical Center)**

- Cash and investments increased in 2023 by \$10,302,104, or 13%, and increased in 2022 by \$1,068,617 or 2%
- Net position increased in 2023 by \$15,091,684, or 13%, and increased in 2022 by \$11,256,167, or 11%
- Operating income decreased in 2023 by \$1,517,819, or 12%, and increased in 2022 by \$2,427,803, or 24%
- Total operating revenues increased in 2023 by \$12,461,362, or 10%, and increased in 2022 by \$16,674,356, or 16%
- Total operating expenses increased in 2023 by \$13,979,181, or 13%, and increased in 2022 by \$14,246,553, or 15%

#### **Salida Hospital Foundation (Foundation)**

- Cash and investments increased by \$150,341 or 5%, in 2023 and increased by \$387,718, or 14%, in 2022
- Net position increased by \$128,341, or 4%, in 2023, and increased by \$411,713, or 15%, in 2022

# **Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center**

## **Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022**

### ***Using This Annual Report***

The Organization's financial statements consist of three statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. These financial statements provide information about the activities of the Organization, including resources held by the Foundation but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

### ***The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any organization's finances is, "Is the Organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Organization's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Organization's net position and changes in them. The Organization's total net position – the difference between assets, liabilities and deferred inflows of resources – are one measure of the Organization's financial health or financial position. Over time, increases or decreases in the Organization's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Organization.

### ***The Statement of Cash Flows***

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as "where did cash come from?", "what was cash used for?" and "what was the change in cash and cash equivalents during the reporting periods?"

### ***The Organization's Net Position***

The Organization's combined net position, the difference between its assets, liabilities and deferred inflows of resources reported in the statements of net position, increased by \$15,220,025, or 11%, over 2023, as shown in Table 1.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022

**Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position**

Noteworthy changes in the Organization's assets, liabilities and deferred inflows of resources for 2023 are the increases in current and non-current cash and investments, net capital assets and current liabilities and the decrease in investments internally designated by the Board of Directors.

Changes of note in 2022 are the increases in net patient accounts receivable; investments internally designated by the Board of Directors; other current investments, and the decrease in net capital assets; noncurrent cash and investments and current liabilities.

	<b>2023</b>	<b>2022*</b>	<b>2021</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 39,738,935	\$ 31,720,393	\$ 32,355,820
Patient accounts receivable, net	19,017,558	18,428,169	15,775,287
Cash and investments internally designated by Board of Directors, current	18,126,629	19,774,147	16,874,380
Other current investments	130,722	1,159,104	130,722
Other current assets	6,461,589	6,861,111	5,293,548
Capital, leased and subscription assets, net	60,717,007	56,374,756	58,796,192
Noncurrent cash and investments	27,299,422	22,189,619	24,026,006
Investment in joint venture	312,035	249,020	188,927
Other assets	362,895	984,782	1,934,845
	<u>\$ 172,166,792</u>	<u>\$ 157,741,101</u>	<u>\$ 155,375,727</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities (including current maturities on long-term debt)	\$ 14,724,221	\$ 13,287,195	\$ 20,569,808
Long-term debt, lease and subscription liabilities	23,089,561	24,641,841	26,053,261
Deferred inflows of resources	440,721	1,119,801	1,728,274
	<u>38,254,503</u>	<u>39,048,837</u>	<u>48,351,343</u>
<b>Net Position</b>			
Net investment in capital assets	35,485,983	29,582,301	30,454,312
Restricted			
Expendable	2,155,701	2,108,769	1,869,258
Nonexpendable	40,000	40,000	40,000
Unrestricted	96,230,605	86,961,194	74,660,814
	<u>133,912,289</u>	<u>118,692,264</u>	<u>107,024,384</u>
	<u>\$ 172,166,792</u>	<u>\$ 157,741,101</u>	<u>\$ 155,375,727</u>

\*Restated for Implementation of GASB 96



# **Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center**

## **Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022**

In 2023, the Medical Center saw continued operational and financial success despite staffing challenges associated with a rural destination location, the Medical Center and its leadership team were able to manage expenses within the services growth curve. A successful balance of strategic and operational focus emphasizing: service, people, quality, finance, facilities, growth; and, physician relations continues.

The Heart of the Rockies Regional Medical Center (HRRMC) operates the main hospital and outpatient pavilion (completed in 2019), and four rural health clinics, two of which are located outside of its governmental district expanding our footprint and presence as a regional healthcare provider. HRRMC expansion activities during 2023 include: the HRRMC South Park Health Care clinic which affiliated in March 2023; an acquired on-campus primary care clinic and additional land in November 2023; the development of an outpatient retail pharmacy in Custer County; and a substantial remodel within the HRRMC Salida Health Center to support additional providers to meet the needs of our community. On-going land improvements are underway in 2023 to support the overall medical campus development.

In 2008, the Medical Center completed construction of a replacement facility and a relocation thereto in order to ensure future strategic growth. A surgical, clinic and support area expansion followed in 2012 and in 2015. In 2016, the Medical Center established and received accreditation for a cardiac rehab program and in 2017 received the Centers for Medicare and Medicaid Services (CMS) certification for the outpatient dialysis clinic. The Medical Center realized a multiyear goal by receiving Joint Commission accreditation in September of 2020 which was reaffirmed in 2023. During this growth in hospital services, the Medical Center also focused on expanding primary and specialty care for our communities including:

- HRRMC Buena Vista Health Center acquired 2011;
- In-center Dialysis Unit established 2016;
- HRRMC Salida Health Center and HRRMC Saguache Health Center established in 2019 and became rural health clinics in 2020;
- HRRMC Custer County Health Center formed in 2020;
- HRRMC South Park Health Care launched in March 2023;
- HRRMC Custer County Pharmacy established in November 2023;
- Significant expansion in physician specialist employment began in 2014 and continues into 2023 supported by the acquisition of an additional on-campus clinic location to house additional provider specialists and services.

In 2023, the increase in cash and cash equivalents results from operating cash and includes a change in third-party settlements from a net receivable of \$614,525 to a payable of \$1,291,420 and an increase in current liabilities of \$1,511,260. In 2022, the decrease in cash and cash equivalents and current liabilities is due to repayment of the remaining \$4,151,961 of Medicare accelerated payments, a change in third-party settlements from a net payable of \$5,201,832 to the net receivable of \$614,525 as offset by a TABOR refund of \$2,305,881.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022

The slight increase in net patient accounts receivable of \$589,389, approximating a 3% increase, represents a decrease in net days outstanding from 57.6 to 53.6 on an overall 13% increase in gross revenues. Critical staffing gaps within revenue cycle leadership challenged the Medical Center through midyear while ongoing staff shortages in patient registration and financial counseling positions remain a challenge within the revenue cycle continuum performance throughout 2023. The revenue cycle leadership and structure has been redesigned under the leadership of the CFO who joined the Organization in March 2023. Key efforts are underway to focus on process redesign, training, accountability and managing to metrics which are showing favorable impacts.

In 2023, other current assets decreased by \$399,522, or 6%, primarily due to third-party settlements resulting in a net payable of \$1,291,420 rather than the net receivable recognized in 2022 and an increase in inventories of \$803,122, or 18%. In 2022, other current assets increased by \$1,567,563, or 30%, primarily due to an increase in inventories of \$1,134,993 and a net third-party settlement receivable of \$614,525.

In 2023, net capital, leased and subscription assets increased \$4,342,251 due to capital purchases of \$10,431,502 less disposals and accumulated depreciation. Net capital assets had declined in 2022 due to suppressed capital spending in 2022.

In 2023, non-current cash and investments increased \$5,109,803 in the Medical Center's laddered portfolio benefitting from an improved interest rate environment for converted positions and the decrease in the position held in other current investments of \$1,028,382 as we seek to lock in some rate favorability in longer positions. In 2022, non-current cash and investments decreased and other current investments increased due to activity in the Medical Center's laddered portfolio corresponding with an increase in current investments internally designated by the Board of Directors.

The Medical Center has a privately placed 20-year promissory note at a 2.96% fixed rate. This note included additional financing of \$10,000,000, which was used to replenish cash reserves the Medical Center expended on its outpatient pavilion, laboratory and parking expansion projects. The Medical Center had \$24,390,000 and \$25,910,000 outstanding in notes payable at December 31, 2023 and 2022, respectively. The Medical Center's formal debt issuances are subject to limitations imposed by state law.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022

### ***Operating Results and Changes in the Organization's Net Position***

In 2023, the Organization's increase in net position was \$15,220,025 as shown in Table 2. This increase is made up of the following components:

**Table 2: Operating Results and Changes in Net Position**

	<b>2023</b>	<b>2022*</b>	<b>2021</b>
<b>Operating Revenues</b>			
Net patient service revenue, net	\$ 129,529,195	\$ 117,488,130	\$ 100,973,240
Other operating revenue	<u>5,739,563</u>	<u>5,319,266</u>	<u>5,159,800</u>
Total operating revenues	<u>135,268,758</u>	<u>122,807,396</u>	<u>106,133,040</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	71,696,262	62,099,507	53,539,202
Purchased services and professional fees	8,231,281	7,895,722	8,172,796
Depreciation and amortization	6,090,430	6,130,257	5,952,535
Other operating expenses	<u>38,349,624</u>	<u>34,260,971</u>	<u>28,473,175</u>
Total operating expenses	<u>124,367,597</u>	<u>110,386,457</u>	<u>96,137,708</u>
<b>Operating Income</b>	<u>10,901,161</u>	<u>12,420,939</u>	<u>9,995,332</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	828,955	(1,118,314)	1,106,359
Interest income	2,874,362	680,751	329,002
Other nonoperating revenues and expenses, net	<u>377,507</u>	<u>(451,266)</u>	<u>3,708,043</u>
Net nonoperating revenues (expenses)	<u>4,080,824</u>	<u>(888,829)</u>	<u>5,143,404</u>
<b>Gifts and Grants to Purchase Capital Assets</b>	<u>238,040</u>	<u>135,770</u>	<u>1,901,858</u>
<b>Increase in Net Position</b>	<u>\$ 15,220,025</u>	<u>\$ 11,667,880</u>	<u>\$ 17,040,594</u>

\*Restated for Implementation of GASB 96

### ***Operating Income***

The first component of the overall change in the Organization's net position for 2023 and 2022 is its operating income or loss – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years the Medical Center has reported operating income.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022

The Medical Center's vision is to be the healthcare provider of choice for its region and a world class rural healthcare organization, providing personalized and exceptional healthcare while maintaining a strong financial position in order to withstand the industry's uncertain regulatory environment, declining reimbursement and increasing costs. Despite ongoing challenges including rising personnel costs, the Organization experienced strong financial performance in 2023.

The Organization's operating income for 2023 decreased \$1,519,778, or 12%, and in 2022 increased \$2,425,607, or 24%. The primary components of these changes are:

- In 2023 and 2022, an increase in net patient service revenue of \$12,041,065, or 10%, and \$16,514,890, or 16%, respectively
- Gross patient revenues increased by \$49,711,866, or 20%, in 2023 and by \$34,690,058, or 16%, in 2022. Factors include:
  - An aggregate price increase of 5% in 2023 and in 2022
  - Some summary volume information supporting gross revenue increases include:
    - Discharges decreased by 4% in 2023 and increased by 10% in 2022, although average length of stay increased by 7% in 2023 and decreased by 8% in 2022. Patient days increased by 3% in 2023 and decreased by 17% in 2022;
    - *Third-party payor criteria necessary for to qualify for inpatient status is a significant contributor to the shift from inpatient services to observation stays as the observation service hours delivered in 2023 grew 25 % over 2022.*
    - Emergency department visits increased by 5% in 2023 and increased in 2022 by 10%;
    - Total outpatient visits increased by 13% and 5% in 2023 and 2022, respectively;
    - Outpatient surgeries increased by 16% in 2023 and by 2% in 2022;
    - Rehabilitation services increased by 5% in 2023 and increased by 2% in 2022;
    - Infusion department visits increased by 5% in 2023 and increased by 7% in 2022;
    - Imaging services in total including CT, MRI, x-rays, fluoroscopy, mammography and nuclear medicine increased by 14% in 2023 and increased by 6% in 2022;
    - Lab volume increased by 16% in 2023 and increased by 2% in 2022;
    - Dialysis Clinic treatments increased by 19% in 2023 and increased by 1% in 2022;
    - The Medical Center took over full management of the dialysis unit during 2023.*
    - Total clinic visits increased in 2023 by 23% and in 2022 by 9%.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022

- The Medical Center recorded an increase in deductions as a percentage of gross revenue of 4% in 2023 and this ratio held flat in 2022. Deductions from gross revenues result from changes to the listed price of services and the rate at which the third-party payors reimburse us for those charged services.
  - The 2% Medicare sequestration resulted in \$415,000 deductions in 2023 and \$205,195 deductions in 2022 following a graduated reimplemention in 2022 at 1% and 2% effective April and July 1, respectively.
  - Both 2023 and 2022 deductions have been reduced by Medicaid supplemental payments in the amount of \$7,524,858 and \$7,573,515, respectively, under the Colorado Healthcare Accountability and Sustainability Enterprise Legislation adopted by the state of Colorado. In addition, the cost report settlements increased Medicare deductions by \$1,905,945, or 0.8% of gross revenue, in 2023 and reduced by \$919,033, or .4% of gross revenue, in 2022. This is primarily due to cost and volume changes and the increase in per diem and cost to charge ratio based interim rates.
  - Charity and other deductions increased \$686,629 (from 0.5% to 0.6% of gross revenue) and decreased \$781,218 (although decreased from .9% to 0.5% of gross revenue) in 2022. Supplemental Colorado Indigent Care Program payments under the Medicaid Provider Fee legislation for 2023 in the amount of \$563,647 and for 2022 in the amount of \$675,206 exceeded write-offs by \$189,568 and \$195,816, respectively.
- Salaries, wages and benefits for the Organization's employees and contract labor increased \$9,596,755, or 15%, in 2023 and \$8,560,305, or 16%, in 2022.
  - Employee salaries and benefits increased in 2023 in correlation with an increase of 57.1 full time equivalents (11%) in total with 26.3 FTEs in nursing and physician clinic services, and a net 30.8 (12%) in all other patient care and support services. The 2022 increase was in correlation with an increase of 4.0 full time equivalents (FTEs) in nursing and physician clinic services, and a net 2.7 in all other patient care and support services. Vacancy rates approximated 7.6% in 2022 and declined to 4.6% in 2023 representing approximately 13 FTEs.
  - The Medical Center's self-insured employee health plan realized increased expenses of \$211,032 in 2023 and \$1,025,696 in 2022. This is representative of claims volatility often experienced in small, self-insured plans, and the increase in covered members. Health insurance as a percent of salary dollars approximates 14% in 2023 and 17% in 2022. Employee contribution rates have not changed over these years presented in spite of the volatility.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Management's Discussion and Analysis (Unaudited)

### Years Ended December 31, 2023 and 2022

- The 2023 increase was also driven by targeted retention and recruitment based salary programs to address critical staffing needs. Increases in both 2023 and 2022 were also attributable to the standard average performance based salary increases of 3%. The Medical Center's turnover rates of 20.6% and 21.7% in 2023 and 2022, respectively, are below the most recent NSI National Healthcare Retention report for hospital turnover (small/regional) of 21.7% - 22.4%.
- Purchased services and professional fees increased by \$335,559, or 4%, in 2023 and decreased by \$277,074, or 3%, in 2022. Purchased services and professional fees are impacted by a number of operational outcomes and have been adjusted to reclassify contract labor out of this category to more properly reflect the expense as salaries, wages and benefits as it is a significant component of our labor force. This adjustment was applied for all periods presented.
- Depreciation and amortization expense decreased by \$14,575 to \$6,090,430, or 5%, of total operating expenses, in 2023 and increased by \$177,722 to \$6,130,257, or 6%, of total operating expenses, in 2022.
  - Depreciation and amortization expense is driven by the cost of capital and leased assets purchased and their estimated useful lives. The Medical Center's Average Age of Plant approximates 9.7 and 8.7 in 2023 and 2022, respectively, favorable to the 2023 Becker's aggregated benchmark of 12.7.
  - Major moveable equipment accounts for about 44% of total depreciation expense. In 2023, the largest additions to major moveable equipment were a replacement Endoscope Video Tower, chemistry analyzers, and Dialysis equipment to support our full management of the Dialysis unit. Both 2023 and 2022 also included new and updated surgical and diagnostic equipment as well as information technology upgrades.
  - HRRMC continued to invest in strategic facilities and renovations to support continued growth in 2023 including the purchase of the Antero Pavilion and Lot 5 on the campus as well as an extensive remodel to the HRRMC Salida Health Center to support additional Rural Health providers.
- Supplies expense, representing almost 70% of other operating expenses, increased by \$3,043,551, or 13%, in 2023 and by \$4,457,902, or 24%, in 2022.
  - Medical and departmental supplies, driven by volume and service line changes, increased by 13% in 2023 and 14% in 2022
  - Pharmaceutical expense increased by 11% in 2023 and 35% in 2022 including volume variances in both the hospital and retail pharmacies, of 10% and 37%, respectively. Infusion services saw continued growth with a 5% volume increase in 2023 following a 2022 volume increase of 7%.

### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of property taxes levied by the Medical Center, net investment income and interest expense.

# **Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center**

## **Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2023 and 2022**

The Medical Center was formed and is operated primarily to serve residents of the Salida Hospital District in Chaffee, Fremont and Saguache counties, where it levies property taxes generating approximately 1% of net financial support. Property taxes increased 235% and decreased 201% in 2023 and 2022, respectively, due to the impact of the TABOR refund initiated in 2022 bringing the Medical Center into compliance with the Statutory Property Tax Revenue Limitations.

Net investment income increased 130% in 2023 and decreased 107% in 2022 with changes in the balance of short- and long-term investments in the portfolio and volatile rates. The Medical Center also recorded an unrealized gain on investments of \$785,833 in 2023 and a loss of \$717,617 in 2022.

### ***Capital and Operating Gifts***

The Medical Center receives capital and operating gifts for specific programs from donors or private foundations and other grant sources. Grants in 2023 of \$503,556 and 2022 of \$757,218 were recognized. Grants from the Provider Relief Funds and Rural Health Clinic COVID-19 Testing and Mitigation programs through the COVID-19 *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) due to the COVID-19 pandemic made up \$400,000 of the amounts recognized in 2022 and the Colorado Division of Local Affairs (DOLA) \$135,770 for the ICU remodel to achieve negative pressure. In both years, DOLA grants were received for equipment purchases for two rural health clinics and from the Women's Wellness Connection Program to support access to diagnostic services. In 2023, the Medical Center received funding from the South Park Hospital District to support the transition and operationalization of HRRMC South Park Health Care.

### ***The Medical Center's Cash Flows***

Changes in the Medical Center's cash flows are consistent with changes in operating revenues and expenses and non-operating revenues, discussed throughout.

### ***Other Economic Factors***

It is management's opinion that several factors contribute to the Medical Center's financial risks. These include but are not limited to physician and staff recruitment and retention challenges, lack of affordable housing and below average income trends within the Medical Center's service area; impacts of healthcare legislation at both the national and state levels focused on repeal of or changes to the Patient Protection and *Affordable Care Act* and Facility Based Billing as well as the implementation of a Colorado Public Option payer system.

### ***Contacting the Medical Center's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. *Questions about this report and requests for additional financial information should be directed to the Medical Center's Financial Administration at 719.530.2213.*

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**

**Statements of Net Position  
December 31, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022*</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 39,738,935	\$ 31,720,393
Certificates of deposit	130,722	1,159,104
Patient accounts receivable, net of allowance for uncollectible accounts; 2023 - \$9,435,858 and 2022 - \$6,730,101	19,017,558	18,428,169
Inventories	5,263,590	4,460,816
Prepaid expenses and other	1,197,999	1,785,770
Estimated amounts due from third-party payers	-	614,525
Cash and investments internally designated by Board of Directors, current	18,126,629	19,774,147
Total current assets	83,475,433	77,942,924
<b>Noncurrent Cash and Investments</b>		
Cash and investments internally designated by Board of Directors	24,603,722	20,064,850
Certificates of deposit	500,000	-
Externally restricted by donors	2,195,700	2,124,769
Total noncurrent cash and investments	27,299,422	22,189,619
<b>Investment in Joint Venture</b>	312,035	249,020
<b>Capital, Leased and Subscription Assets, Net</b>	60,717,007	56,374,756
<b>Other Assets</b>		
Lease receivable	362,895	238,668
Property taxes receivable	-	746,114
Total assets	\$ 172,166,792	\$ 157,741,101

\* Restated for Implementation of GASB 96



**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**

**Statements of Net Position (continued)**

**December 31, 2023 and 2022**

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

	<b>2023</b>	<b>2022*</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 3,969,711	\$ 5,503,517
Accrued compensation and paid time off	4,882,997	3,964,558
Current maturities of long-term debt, lease and subscription liabilities	1,680,034	1,732,170
Estimated amounts due to third-party payers	1,291,420	-
Other current liabilities	1,680,059	864,950
Estimated self-insurance costs	1,220,000	1,220,000
Unearned revenue	-	2,000
	<u>14,724,221</u>	<u>13,287,195</u>
<b>Other Liabilities</b>		
Long-term debt, lease and subscription liabilities	23,089,561	24,641,841
	<u>23,089,561</u>	<u>24,641,841</u>
	<u>37,813,782</u>	<u>37,929,036</u>
<b>Deferred Inflows of Resources</b>		
Lease related	440,721	373,687
Property tax related	-	746,114
	<u>440,721</u>	<u>1,120,801</u>
	<u>38,254,503</u>	<u>39,048,837</u>
<b>Net Position</b>		
Net investment in capital assets	35,485,983	29,582,301
Restricted - expendable for		
Scholarships	58,062	57,106
Capital acquisitions	1,477,832	1,509,504
Other	619,807	542,159
Restricted nonexpendable	40,000	40,000
Unrestricted	96,230,605	86,961,194
	<u>133,912,289</u>	<u>118,692,264</u>
	<u>\$ 172,166,792</u>	<u>\$ 157,741,101</u>

\* Restated for Implementation of GASB 96

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**

**Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022*</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - \$4,505,472 and 2022 - \$3,981,217	\$ 129,529,195	\$ 117,488,130
Other operating revenue	5,739,563	5,319,266
Total operating revenues	135,268,758	122,807,396
<b>Operating Expenses</b>		
Salaries and wages	58,516,128	49,628,301
Employee benefits	13,180,134	12,471,206
Supplies	26,333,761	23,290,210
Purchased services	4,261,239	4,021,484
Professional fees	3,970,042	3,874,238
Depreciation and amortization	6,090,430	6,130,257
Provider fee expense	2,944,299	2,437,622
Repairs and maintenance	3,348,844	3,290,287
Lease and rental	104,353	68,360
Utilities	966,736	984,906
Insurance	587,428	472,723
Other expenses	4,064,203	3,716,863
Total operating expenses	124,367,597	110,386,457
<b>Operating Income</b>	10,901,161	12,420,939
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	828,955	(1,118,314)
Interest income	2,874,362	680,751
Noncapital grants and gifts	294,258	1,127,140
Gain (loss) on investments	785,833	(717,617)
Interest expense	(774,161)	(819,554)
Gain (loss) on sale of capital assets	55,300	(13,749)
Gain on investment in equity investee	113,015	60,094
Other	(96,738)	(87,580)
Total nonoperating revenues (expenses)	4,080,824	(888,829)
<b>Excess of Revenues Over Expenses Before Capital Gifts</b>	14,981,985	11,532,110
<b>Gifts and Grants to Purchase Capital Assets</b>	238,040	135,770
<b>Increase in Net Position</b>	15,220,025	11,667,880
<b>Net Position, Beginning of Year</b>	118,692,264	107,024,384
<b>Net Position, End of Year</b>	\$ 133,912,289	\$ 118,692,264

\* Restated for Implementation of GASB 96

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022*</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from, and on behalf of, patients	\$ 131,641,078	\$ 105,044,737
Payments to suppliers and contractors	(37,179,119)	(31,580,615)
Payments to employees	(70,777,823)	(60,560,205)
Other payments, net	(5,714,692)	(5,105,299)
Net cash provided by operating activities	17,969,444	7,798,618
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes supporting operations	828,955	(1,118,314)
Noncapital grants and gifts	251,758	578,363
Other nonoperating expense	(96,738)	(87,580)
Net cash provided by (used in) noncapital financing activities	983,975	(627,531)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Gifts to purchase capital assets	238,040	135,770
Principal paid on long-term debt, lease and subscription liabilities	(1,744,970)	(1,737,218)
Interest paid on long-term debt, lease and subscription liabilities	(785,409)	(837,651)
Purchase of capital and lease assets	(10,014,630)	(3,403,564)
Proceeds from the sale of fixed assets	55,300	16,500
Net cash used in capital and related financing activities	(12,251,669)	(5,826,163)
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(23,019,873)	(25,284,373)
Proceeds from disposition of investments	20,939,877	22,950,902
Investment income	4,523,871	868,817
Net cash provided by (used in) investing activities	2,443,875	(1,464,654)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	9,145,625	(119,730)
<b>Cash and Cash Equivalents, Beginning of Year</b>	35,496,219	35,615,949
<b>Cash and Cash Equivalents, End of Year</b>	\$ 44,641,844	\$ 35,496,219

\* Restated for Implementation of GASB 96

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**

**Statements of Cash Flows (continued)  
Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022*</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Cash and cash equivalents	\$ 39,738,935	\$ 31,720,393
Cash in noncurrent cash and investments		
Internally designated	2,707,209	1,651,057
Externally restricted by donors	2,195,700	2,124,769
Total cash and cash equivalents	<u>\$ 44,641,844</u>	<u>\$ 35,496,219</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 10,901,161	\$ 12,420,939
Depreciation and amortization	6,090,430	6,130,257
Provision for uncollectible accounts	4,505,472	3,981,217
Changes in operating assets and liabilities		
Patient accounts receivable, net	(4,299,534)	(6,456,292)
Estimated amounts due from and to third-party payers	1,905,945	(5,816,357)
Accounts payable and accrued expenses	(892,864)	2,254,359
Other assets and liabilities	(241,166)	(4,715,505)
Net cash provided by operating activities	<u>\$ 17,969,444</u>	<u>\$ 7,798,618</u>
<b>Supplemental Cash Flows Information</b>		
Capital asset acquisition in accounts payable	\$ 842,442	\$ 564,945
Liabilities for lease assets	140,554	3,625

\* Restated for Implementation of GASB 96

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations and Reporting Entity*

The financial statements include Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center) and its component unit Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (the Foundation), which has been included in these financial statements using the blended method. The Medical Center and the Foundation are collectively referred to as the Organization. All significant intercompany balances and transactions have been eliminated.

The Medical Center is a 25-bed acute care facility in Salida, Colorado designated as a Critical Access Hospital (CAH). The Medical Center is governed by a Board of Directors, which is elected by Salida Hospital District residents. The Medical Center primarily earns revenues by providing inpatient and outpatient acute care and multi-specialty physician clinic services to patients from and visiting Chaffee, Fremont and Saguache counties.

#### *Foundation*

The Foundation is a legally separate, tax-exempt component unit of the Medical Center. The Foundation's primary function is to raise and hold funds to support the Medical Center and its programs.

Although the Medical Center does not control the timing or amount of receipts from the Foundation, the Foundation's resources and related income are restricted by donors for the benefit of the Medical Center. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Medical Center, the Foundation is considered a component unit of the Medical Center and is included in the financial statements using the blended method.

#### *Basis of Accounting and Presentation*

The financial statements of the Organization have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements

December 31, 2023 and 2022

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows of resources 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. Actual results could differ from those estimates.

### ***Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization does not consider uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of repurchase agreements secured by ownership in *Public Deposit Protection Act* qualifying securities.

### ***Investments and Investment Income***

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and in nonnegotiable certificates of deposit are carried at fair value. The investment in joint venture is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

### ***Patient Accounts Receivable***

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

### ***Inventories***

Supply inventories are stated at the lower of cost, determined by using an average calculated cost which approximates the first-in, first-out method, or market.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The presentation of capital assets has changed to incorporate subscription assets as per GASB 96 lease reporting requirements that took effect January 1, 2022. For additional information see Notes 9 and 11. The following estimated useful lives are being used by the Medical Center:

Land improvements	2 – 25 years
Buildings and improvements	5 – 40 years
Equipment	3 – 20 years

### **Leased Assets**

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

### **Subscription Assets**

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

### **Capital, Leased and Subscription Asset Impairment**

The Medical Center evaluates capital, leased and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, leased or subscription asset has occurred. If a capital, leased or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the historical cost and related accumulated depreciation or amortization is decreased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

### **Compensated Absences**

Medical Center policies permit all full-time and regular part-time employees who are regularly scheduled to work at least 24 hours per week or 48 hours per pay period to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements

December 31, 2023 and 2022

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 statements of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

### ***Risk Management***

The Organization is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

### ***Deferred Inflows of Resources***

The Medical Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in separate sections of its statements of net position.

### ***Net Position***

Net position of the Organization is classified in four components on its statements of net position.

- Net investment in capital assets consists of capital, leased and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings, lease and subscription liabilities used to finance the purchase or construction of those assets
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings



# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Organization, such as permanent endowments
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position

### **Net Patient Service Revenue**

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

### **Charity Care**

The Medical Center provides charity care to patients who qualify under the Colorado Indigent Care Program (the Program) and/or its own charity care policy. The Program provides reimbursement for services at less than the Medical Center’s established rates. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

### **Property Taxes**

The Medical Center received approximately 1% of its gross financial support from property taxes in 2023 and 2022. These funds were used to support operations. Taxes are recorded as revenue in the year they are assessed.

In the prior year, a TABOR accrual of \$2,305,881 was recorded which resulted from notification to the Medical Center in November 2022 that the District had been setting its mill levy for operating purposes in a manner that did not comply with the Taxpayer’s Bill of Rights (TABOR). After investigation by the District Board of Directors, it was determined to issue a voluntary TABOR refund to its property owners to be allocated in equal amount to each property owner in the District on January 1, 2023 as authorized by state law, Colorado case law, and TABOR.

Property taxes were comprised of the following as of December 31:

	<b>2023</b>	<b>2022</b>
Property tax revenue	\$ 828,955	\$ 1,187,567
TABOR refund	-	(2,305,881)
	\$ 828,955	\$ (1,118,314)

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### **Income Taxes**

As an essential government function of the counties, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

The Foundation is an entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

### **Implementation of New Accounting Standard**

The authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (Statement No. 96) retroactive to January 1, 2022. Statement No. 96 established criteria for the recognition of subscription-based information technology arrangements (SBITAs) for governments. SBITAs result in an intangible asset, right to use subscription assets along with the corresponding subscription liability. Correspondingly, a SBITA covers the subscription period for which the government has a noncancelable right to use of another vendor's information technology software. There was no impact of the implementation at January 1, 2022.

### **Reclassifications**

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications had no effect on the changes in financial position.

### **Note 2: Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the state Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The Medical Center's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and that receive less than 10% of their annual revenue in grants from all state and local governments combined. The Medical Center is of the opinion that its operations qualify for this exclusion.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 3: Charity Care

The costs of charity care provided under the Medical Center's charity care policy and participation in the Colorado Indigent Care Program were approximately \$402,400 and \$373,200, respectively, in 2023 and 2022. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. Applications for charitable assistance have been significantly reduced by the Medicaid expansion under the *Affordable Care Act*.

### Note 4: Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

*Medicare.* Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost-reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor.

*Medicaid.* Reimbursements for Medicaid inpatient services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member similar to Medicare. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for cost-reimbursable services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center. Reimbursements for Medicaid outpatient services are paid prospectively under the Enhanced Ambulatory Patient Grouping (EAPG) System, to a patient classification system that is based on clinical, diagnostics, and other factors.

Approximately 53% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes discounts from established charges for hospital facility services and percentages above the Medicare Fee Schedule for physician professional services.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

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

	<b>2023</b>	<b>2022</b>
Colorado Indigent Care Program - supplemental revenue	\$ 563,647	\$ 675,206
CHASE supplemental payments included in patient service revenue	7,524,858	7,573,515
CHASE fee expense	(2,944,299)	(2,437,622)
Effect of SB 17-267	\$ 5,144,206	\$ 5,811,099

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

	<b>2023</b>		
	<b>Gross Revenue</b>	<b>Contractual Adjustments and Uncollectible Accounts</b>	<b>Net Patient Service Revenue</b>
Medicare	\$ 159,328,468	\$ 104,463,586	\$ 54,864,882
Medicaid	41,602,829	27,281,262	14,321,567
Other	98,099,225	37,756,479	60,342,746
Total	\$ 299,030,522	\$ 169,501,327	\$ 129,529,195
	<b>2022</b>		
	<b>Gross Revenue</b>	<b>Contractual Adjustments and Uncollectible Accounts</b>	<b>Net Patient Service Revenue</b>
Medicare	\$ 133,040,219	\$ 85,470,296	\$ 47,569,923
Medicaid	33,043,691	17,899,071	15,144,620
Other	83,234,747	28,461,160	54,773,587
Total	\$ 249,318,657	\$ 131,830,527	\$ 117,488,130

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### Note 5: Patients Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2023 and 2022 consisted of:

	2023	2022
Medicare	\$ 21,630,708	\$ 22,283,257
Medicaid	4,964,057	4,588,817
Other third-party payers	19,017,375	18,193,003
Patients	7,329,282	2,242,519
	52,941,422	47,307,596
Less allowance for contractals and uncollectible accounts	33,923,864	28,879,427
Total	\$ 19,017,558	\$ 18,428,169

### Note 6: Deposits and Investments

#### **Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk requires compliance with the provisions of state law.

*The Colorado Public Deposit Protection Act* (the PDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance is insured by federal insurance (FDIC) for up to \$250,000 for interest and noninterest bearing accounts. Any excess of deposit accounts over the FDIC limit that is not insured is covered by collateral pledged by the financial institution in accordance with the PDPA. Pledged collateral is reported to, and reviewed by, the Medical Center.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

At December 31, 2023 and 2022, \$44,818,264 and \$36,970,689, respectively, of the Organization's bank balances of \$45,939,256 and \$38,351,411, respectively, were exposed to custodial credit risk as follows:

	<b>2023</b>	<b>2022</b>
Uninsured and uncollateralized	\$ -	\$ -
Insured (FDIC) or collateralized with securities held by the Organization	1,120,992	1,380,722
Uninsured and collateral held by the pledging financial institution's trust department or agent in other than the Organization's name	44,818,264	36,970,689
	\$ 45,939,256	\$ 38,351,411

### **Investments**

The Organization may legally invest in investments in compliance with the Colorado PDPA.

At December 31, 2023 and 2022, the Organization had the following investments and maturities:

		<b>2023</b>	
		<b>Maturities in Years</b>	
		<b>Less than 1</b>	<b>1-5</b>
<b>Type</b>	<b>Fair Value</b>		
U.S. Treasury and Agency obligations	\$ 39,134,416	\$ 17,237,903	\$ 21,896,513
Money market funds	520,984	520,984	-
	\$ 39,655,400	\$ 17,758,887	\$ 21,896,513
		<b>2022</b>	
		<b>Maturities in Years</b>	
		<b>Less than 1</b>	<b>1-5</b>
<b>Type</b>	<b>Fair Value</b>		
U.S. Treasury and Agency obligations	\$ 37,857,997	\$ 19,444,204	\$ 18,413,793
Money market funds	191,643	191,643	-
	\$ 38,049,640	\$ 19,635,847	\$ 18,413,793

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Organization’s investment policy is limited to purchasing securities that mature in five years or less from the date of purchase. Money market funds are not permitted to invest in securities with maturities longer than one year and as such are considered to be in compliance with this policy.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Organization’s policy to limit new purchases of investments to only investments in compliance with the Colorado PDPA. At December 31, 2023 and 2022, the Organization’s investments were in compliance with the policy, including the investments in money market funds which are unrated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Organization will not have any single investment exceed one-third of the total portfolio, except for U.S. Treasury securities and federal agencies. At December 31, 2023 and 2022, the Organization’s investment in U.S. Treasury securities and agency obligations constituted 99% of its total investments.

Foreign Currency Risk – This risk is related to adverse effects on the fair value of an investment from changes in exchange rates. The Organization’s investment policy does not permit foreign currency holdings at December 31, 2023.

### **Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	<b>2023</b>	<b>2022</b>
Carrying value		
Deposits	\$ 45,267,443	\$ 36,652,473
Money market funds	520,984	191,643
Investments	39,134,416	37,857,997
Interest receivable	369,159	138,299
Cash on hand	3,706	2,851
Total	<b>\$ 85,295,708</b>	<b>\$ 74,843,263</b>

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

Included in the following statements of net position captions:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 39,738,935	\$ 31,720,393
Certificates of deposit	130,722	1,159,104
Cash and investments internally designated by Board of Directors, current	18,126,629	19,774,147
Noncurrent cash and investments		
Certificates of deposit	500,000	-
Internally designated by Board of Directors	24,603,722	20,064,850
Externally restricted by donors	2,195,700	2,124,769
Total	\$ 85,295,708	\$ 74,843,263

### **Investment Income**

Investment income for the years ended December 31 consisted of:

	<b>2023</b>	<b>2022</b>
Interest income/realized gains	\$ 2,874,362	\$ 680,751
Net change in fair value of investments - unrealized gains and losses	785,833	(717,617)
Total	\$ 3,660,195	\$ (36,866)

### **Note 7: Disclosures About Fair Value of Assets**

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally 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 significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Organization has the following recurring fair value measurements as of December 31, 2023 and 2022:

- Money market funds of \$520,984 and \$191,643, respectively, are valued using quoted market prices (Level 1 inputs)
- U.S. Treasury and Agency obligations of \$39,634,416 and \$37,857,997, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset (Level 2 inputs)



# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### Note 8: Investment in Joint Venture

The investment in joint venture relates to a 50% ownership in Enhabit Home Health and Hospice, LLC. The joint venture began operations on January 1, 2006. Financial positions and results of operations of the investee are summarized below:

	<b>2023</b> <b>(Unaudited)</b>	<b>2022</b> <b>(Unaudited)</b>
Current assets	\$ 852,137	\$ 858,121
Property and other long-term assets, net	46,604	47,120
Total assets	898,741	905,241
Current liabilities	216,851	407,201
Long-term liabilities	7,820	-
Total liabilities	224,671	407,201
Members' equity	\$ 674,070	\$ 498,040
Net revenues	\$ 2,278,524	\$ 2,248,198
Net income	\$ 226,030	\$ 120,186

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### Note 9: Capital, Leased and Subscription Assets

Capital, leased and subscription assets activity for the years ended December 31, 2023 and 2022 are as follows. The presentation of capital assets has changed to incorporate subscription assets as per the implementation of GASB 96 lease reporting requirements effective January 1, 2022.

	2023				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 2,265,876	\$ 460,000	\$ -	\$ -	\$ 2,725,876
Land improvements	9,812,591	24,352	-	20,000	9,856,943
Buildings and improvements	41,006,930	2,369,816	-	288,712	43,665,458
Equipment	54,941,359	4,093,879	(1,533,851)	1,023,071	58,524,458
Construction in progress	434,140	3,341,901	-	(1,331,783)	2,444,258
	<u>108,460,896</u>	<u>10,289,948</u>	<u>(1,533,851)</u>	<u>-</u>	<u>117,216,993</u>
Less accumulated depreciation					
Land improvements	4,997,154	612,945	-	-	5,610,099
Buildings and improvements	14,114,715	1,542,739	-	-	15,657,454
Equipment	33,432,304	3,706,512	(1,533,851)	-	35,604,965
	<u>52,544,173</u>	<u>5,862,196</u>	<u>(1,533,851)</u>	<u>-</u>	<u>56,872,518</u>
Total capital assets, being depreciated	<u>55,916,723</u>	<u>4,427,752</u>	<u>-</u>	<u>-</u>	<u>60,344,475</u>
Lease assets (equipment)	564,799	141,554	(525,943)	-	180,410
Less accumulated amortization	424,276	147,754	(525,943)	-	46,087
Right to use leased assets, net	<u>140,523</u>	<u>(6,200)</u>	<u>-</u>	<u>-</u>	<u>134,323</u>
Subscription asset - software	342,763	-	-	-	342,763
Less accumulated amortization	25,253	79,301	-	-	104,554
Right to use subscription assets, net	<u>317,510</u>	<u>(79,301)</u>	<u>-</u>	<u>-</u>	<u>238,209</u>
Capital, leased and subscription assets, net	<u>\$ 56,374,756</u>	<u>\$ 4,342,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,717,007</u>

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

	2022*				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 2,259,493	\$ -	\$ -	\$ 6,383	\$ 2,265,876
Land improvements	9,483,749	-	(1,589)	330,431	9,812,591
Buildings and improvements	40,626,032	-	-	380,898	41,006,930
Equipment	52,577,193	1,821,862	(671,646)	1,213,950	54,941,359
Construction in progress	821,750	1,545,709	-	(1,933,319)	434,140
	<u>105,768,217</u>	<u>3,367,571</u>	<u>(673,235)</u>	<u>(1,657)</u>	<u>108,460,896</u>
Less accumulated depreciation					
Land improvements	4,369,520	629,223	(1,589)	-	4,997,154
Buildings and improvements	12,549,619	1,565,096	-	-	14,114,715
Equipment	30,428,938	3,671,462	(668,096)	-	33,432,304
	<u>47,348,077</u>	<u>5,865,781</u>	<u>(669,685)</u>	<u>-</u>	<u>52,544,173</u>
Total capital assets, being depreciated	<u>58,420,140</u>	<u>(2,498,210)</u>	<u>(3,550)</u>	<u>(1,657)</u>	<u>55,916,723</u>
Lease assets (equipment)	561,105	3,694	-	-	564,799
Less accumulated amortization	185,053	239,223	-	-	424,276
Right to use leased assets, net	<u>376,052</u>	<u>(235,529)</u>	<u>-</u>	<u>-</u>	<u>140,523</u>
Subscription asset - software	-	342,763	-	-	342,763
Less accumulated amortization	-	25,253	-	-	25,253
Right to use subscription assets, net	<u>-</u>	<u>317,510</u>	<u>-</u>	<u>-</u>	<u>317,510</u>
Capital, leased and subscription assets, net	<u>\$ 58,796,192</u>	<u>\$ (2,416,229)</u>	<u>\$ (3,550)</u>	<u>\$ (1,657)</u>	<u>\$ 56,374,756</u>

\* Restated for Implementation of GASB 96

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### Note 10: Long-term Obligations, Lease and Subscription Liabilities

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31, 2023 and 2022:

	<b>2023</b>				<b>Amounts Due Within One Year</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	
Long-term debt, lease and subscription liabilities					
Note from direct borrowing	\$ 25,910,000	\$ -	\$ 1,520,000	\$ 24,390,000	\$ 1,565,000
Subscription liability	317,510	-	74,234	243,276	77,320
Lease liabilities	<u>146,501</u>	<u>140,554</u>	<u>150,736</u>	<u>136,319</u>	<u>37,714</u>
Total long-term liabilities	<u>\$ 26,374,011</u>	<u>\$ 140,554</u>	<u>\$ 1,744,970</u>	<u>\$ 24,769,595</u>	<u>\$ 1,680,034</u>
	<b>2022*</b>				<b>Amounts Due Within One Year</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	
Long-term debt, lease and subscription liabilities					
Note from direct borrowing	\$ 27,390,000	\$ -	\$ 1,480,000	\$ 25,910,000	\$ 1,520,000
Subscription liability	-	335,618	18,108	317,510	74,234
Lease liabilities	<u>381,986</u>	<u>3,625</u>	<u>239,110</u>	<u>146,501</u>	<u>137,936</u>
Other long-term liabilities					
Medicare accelerated payments	<u>4,151,961</u>	<u>-</u>	<u>4,151,961</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 31,923,947</u>	<u>\$ 339,243</u>	<u>\$ 5,889,179</u>	<u>\$ 26,374,011</u>	<u>\$ 1,732,170</u>

\* Restated for Implementation of GASB 96

#### Note from Direct Borrowing

The note payable to bank, in the original amount of \$23,555,000, is due October 1, 2036. Additionally, the Medical Center borrowed an additional \$10,000,000, to fund the construction, improvement, and equipping of hospital facilities. These proceeds were received on October 1, 2018. Principal on the note is payable annually and interest is payable semi-annually on each April 1 and October 1 with interest at 2.96%.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

The Organization’s outstanding note from direct borrowing of \$25,910,000 is secured by the Medical Center’s net revenues. This outstanding note contains a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due as listed in the events of default in the agreement.

The debt service requirements for the note from direct borrowing as of December 31, 2023, are as follows:

Year Ended December 31,	Total to be Paid	Principal	Interest
2024	\$ 2,286,944	\$ 1,565,000	\$ 721,944
2025	2,285,620	1,610,000	675,620
2026	2,287,964	1,660,000	627,964
2027	2,288,828	1,710,000	578,828
2028	2,288,212	1,760,000	528,212
2029 - 2033	11,438,392	9,610,000	1,828,392
2034 - 2036	<u>6,862,020</u>	<u>6,475,000</u>	<u>387,020</u>
Total	<u>\$ 29,737,980</u>	<u>\$ 24,390,000</u>	<u>\$ 5,347,980</u>

### ***Medicare Accelerated and Advanced Payment Program***

During the year ended December 31, 2020, the Medical Center requested accelerated Medicare payments as provided for in the CARES Act, which allowed for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts were expected to be recaptured by CMS according to the payback provisions.

During the years ended December 31, 2023 and 2022, Medicare had applied approximately \$0 and \$4,152,000, respectively, from these accelerated Medicare payment request against filed claims. The Medical Center paid back the accelerated payments in full as of December 31, 2022.

### **Note 11: Leases and Subscription-Based Arrangements**

#### ***Lessee – Liability***

The Medical Center leases equipment, the terms of which expire in various years through 2028. The leases were measured based upon the rate that approximates the Medical Centers incremental borrowing rate at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. These variable payments are not significant.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

The following is a schedule by year of payments under the leases as of December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	\$ 43,086	\$ 37,714	\$ 5,372
2025	38,060	34,242	3,818
2026	28,071	25,670	2,401
2027	24,278	22,968	1,310
2028	16,000	15,725	275
	<u>\$ 149,495</u>	<u>\$ 136,319</u>	<u>\$ 13,176</u>

### ***Lessor – Lease Receivable***

A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset in the contract for a period of time in an exchange or exchange-like transaction. Nonfinancial assets include buildings. Lease receivables result from lessor contracts measured at the present value of the lease payments expected to be received during the lease term. The Medical Center has recognized lease receivables for a building and an office space lease. Lease receivables amount to \$454,824 and \$373,687 for December 31, 2023 and 2022, respectively, of which the current portion of \$91,929 and \$135,019, respectively, is included in prepaid and other current assets. The long-term portion is recorded as lease receivables in the accompanying financial statements.

Revenue recognized under lease contracts during the years ended December 31, 2023 and 2022 were \$148,480 and \$151,776, respectively, which includes both lease revenue and interest.

### ***Subscription Liability***

The Medical Center has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2027. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance. These variable payments are not significant.

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center  
Notes to Financial Statements  
December 31, 2023 and 2022**

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	\$ 85,741	\$ 77,320	\$ 8,421
2025	67,741	62,314	5,427
2026	58,742	55,584	3,158
2027	48,950	48,058	892
	<u>\$ 261,174</u>	<u>\$ 243,276</u>	<u>\$ 17,898</u>

**Note 12: Risk Management**

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center self-insures the cost of employees' health care benefits and has purchased annual stop-loss insurance coverage for individual claims exceeding \$100,000 after satisfaction of the aggregate \$35,000 plan specific limit. A provision is accrued for self-insured employee health claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, and frequency of claims. It is possible that the Medical Center's estimate could change.

Activity in the Medical Center's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,220,000	\$ 1,150,000
Current year claims incurred and changes in estimates for claims incurred in prior years	8,064,335	7,877,050
Claims and expenses paid	<u>(8,064,335)</u>	<u>(7,807,050)</u>
Balance, end of year	<u>\$ 1,220,000</u>	<u>\$ 1,220,000</u>

The Medical Center is a member of the Colorado Hospital Association Trust for Workers' Compensation (the Trust). The Trust was formed to provide workers' compensation insurance to member hospitals in Colorado. The Medical Center pays fixed annual premiums to the Trust. The Trust is self-funded and purchases stop-loss insurance coverage.

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

### Note 13: Medical Malpractice Claims

The Medical Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term. Further, the Medical Center is subject to the provisions of the *Colorado Governmental Immunity Act*, which provides a limitation on the liability of the Medical Center.

### Note 14: Restricted Net Position

At December 31, 2023 and 2022, restricted expendable and nonexpendable net position were available for the following purposes:

	<b>2023</b>	<b>2022</b>
<b>Restricted – Expendable For</b>		
Scholarships	\$ 58,062	\$ 57,106
Capital acquisitions	1,477,832	1,509,504
Other	619,807	542,159
	<u>\$ 2,155,701</u>	<u>\$ 2,108,769</u>
<b>Restricted – Nonexpendable</b>		
Endowment restricted by donors for investment in perpetuity	\$ 40,000	\$ 40,000

### Note 15: Employee Retirement Plans

The Medical Center has two types of defined contribution retirement plans for its employees. The first is a 401(a) Money Purchase Plan into which employees are required to contribute 3.75% of pre-tax wages in lieu of social security contributions, which are matched by the Medical Center. The second plan is a 457(b) plan which permits employees to make additional pre-tax contributions from their wages up to defined IRS limitations. The Medical Center will contribute up to 3.25% of each employee's pre-tax wages to match contributions made by the employees to the 457(b) plan. In total, the Medical Center's contributions are limited to this combined 7% and only to the extent of each individual employee's contributions to the plans up to a maximum of \$15,000 per employee.



# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Notes to Financial Statements December 31, 2023 and 2022

Pension expense is recorded for the amount of the Medical Center's required contributions and administrative fees determined in accordance with the terms of the plans. The Medical Center has an appointed investment committee, including the Chief Executive Officer and an external investment advisor, to administer the plans. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Medical Center's Board of Directors and management. Employee contributions of pre-tax wages are subject to a maximum set by the Internal Revenue Service.

Contribution rates to all plans for plan members and the Medical Center expressed as a percentage of covered payrolls were 8.98% and 5.15% for 2023 and 10.30% and 6.20% for 2022, respectively. Contributions actually made by plan members and the Medical Center aggregated \$5,252,029 and \$3,014,231 during 2023, and \$4,519,715 and \$2,719,465 during 2022, respectively.

### **Note 16: Commitments and Contingencies**

#### ***Litigation***

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss has been recorded for the years ended December 31, 2023 or 2022. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

## **Supplementary Information**

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**

**Combining Statement of Net Position  
December 31, 2023**

**Assets**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 38,976,541	\$ 762,394	\$ -	\$ 39,738,935
Certificates of deposit	-	130,722	-	130,722
Patient accounts receivable, net of allowance of \$9,435,858	19,017,558	-	-	19,017,558
Inventories	5,263,590	-	-	5,263,590
Prepaid expenses and other	1,197,999	-	-	1,197,999
Cash and investments internally designated by Board of Directors, current	<u>18,126,629</u>	<u>-</u>	<u>-</u>	<u>18,126,629</u>
Total current assets	<u>82,582,317</u>	<u>893,116</u>	<u>-</u>	<u>83,475,433</u>
<b>Noncurrent Cash and Investments</b>				
Cash and investments internally designated by Board of Directors	24,279,385	324,337	-	24,603,722
Certificates of deposit	500,000	-	-	500,000
Externally restricted by donors	<u>40,000</u>	<u>2,155,700</u>	<u>-</u>	<u>2,195,700</u>
Total noncurrent cash and investments	<u>24,819,385</u>	<u>2,480,037</u>	<u>-</u>	<u>27,299,422</u>
<b>Investment in Joint Venture</b>	<u>312,035</u>	<u>-</u>	<u>-</u>	<u>312,035</u>
<b>Capital, Leased and Subscription Assets, Net</b>	<u>60,717,007</u>	<u>-</u>	<u>-</u>	<u>60,717,007</u>
<b>Other Assets</b>				
Lease receivable	<u>362,895</u>	<u>-</u>	<u>-</u>	<u>362,895</u>
Total assets	<u>\$ 168,793,639</u>	<u>\$ 3,373,153</u>	<u>\$ -</u>	<u>\$ 172,166,792</u>

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**

**Combining Statement of Net Position (continued)**

**December 31, 2023**

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

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Current Liabilities</b>				
Accounts payable	\$ 3,969,711	\$ -	\$ -	\$ 3,969,711
Accrued compensation and paid time off	4,882,997	-	-	4,882,997
Current maturities of long-term debt, lease and subscription liabilities	1,680,034	-	-	1,680,034
Estimated amounts due to third-party payers	1,291,420	-	-	1,291,420
Other current liabilities	1,680,059	-	-	1,680,059
Estimated self-insurance costs	1,220,000	-	-	1,220,000
	<u>14,724,221</u>	<u>-</u>	<u>-</u>	<u>14,724,221</u>
<b>Total current liabilities</b>				
	<u>14,724,221</u>	<u>-</u>	<u>-</u>	<u>14,724,221</u>
<b>Other Liabilities</b>				
Long-term debt, lease and subscription liabilities	23,089,561	-	-	23,089,561
	<u>23,089,561</u>	<u>-</u>	<u>-</u>	<u>23,089,561</u>
<b>Total other liabilities</b>				
	<u>23,089,561</u>	<u>-</u>	<u>-</u>	<u>23,089,561</u>
<b>Total liabilities</b>	<u>37,813,782</u>	<u>-</u>	<u>-</u>	<u>37,813,782</u>
<b>Deferred Inflows of Resources</b>				
Lease related	440,721	-	-	440,721
	<u>440,721</u>	<u>-</u>	<u>-</u>	<u>440,721</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>38,254,503</u>	<u>-</u>	<u>-</u>	<u>38,254,503</u>
<b>Net Position</b>				
Net investment in capital and lease assets	35,485,983	-	-	35,485,983
Restricted - expendable for				
Scholarships	-	58,062	-	58,062
Capital acquisitions	-	1,477,832	-	1,477,832
Other	-	619,807	-	619,807
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	95,013,153	1,217,452	-	96,230,605
	<u>130,539,136</u>	<u>3,373,153</u>	<u>-</u>	<u>133,912,289</u>
<b>Total net position</b>				
	<u>130,539,136</u>	<u>3,373,153</u>	<u>-</u>	<u>133,912,289</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 168,793,639</u>	<u>\$ 3,373,153</u>	<u>\$ -</u>	<u>\$ 172,166,792</u>

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Combining Statement of Net Position December 31, 2022\*

### Assets

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 30,989,918	\$ 730,475	\$ -	\$ 31,720,393
Certificates of deposit	1,028,382	130,722	-	1,159,104
Patient accounts receivable, net of allowance of \$6,730,101	18,428,169	-	-	18,428,169
Inventories	4,460,816	-	-	4,460,816
Prepaid expenses and other	1,761,770	24,000	-	1,785,770
Estimated amounts due from third-party payers	614,525	-	-	614,525
Cash and investments internally designated by Board of Directors, current	<u>19,774,147</u>	<u>-</u>	<u>-</u>	<u>19,774,147</u>
Total current assets	<u>77,057,727</u>	<u>885,197</u>	<u>-</u>	<u>77,942,924</u>
<b>Noncurrent Cash and Investments</b>				
Cash and investments internally designated by Board of Directors	19,700,013	364,837	-	20,064,850
Externally restricted by donors	<u>127,991</u>	<u>1,996,778</u>	<u>-</u>	<u>2,124,769</u>
Total noncurrent cash and investments	<u>19,828,004</u>	<u>2,361,615</u>	<u>-</u>	<u>22,189,619</u>
<b>Investment in Joint Venture</b>	<u>249,020</u>	<u>-</u>	<u>-</u>	<u>249,020</u>
<b>Capital, Leased and Subscription Assets, Net</b>	<u>56,374,756</u>	<u>-</u>	<u>-</u>	<u>56,374,756</u>
<b>Other Assets</b>				
Lease receivable	238,668	-	-	238,668
Property tax receivable	<u>746,114</u>	<u>-</u>	<u>-</u>	<u>746,114</u>
Total assets	<u>\$ 154,494,289</u>	<u>\$ 3,246,812</u>	<u>\$ -</u>	<u>\$ 157,741,101</u>

\* Restated for Implementation of GASB 96

# Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

## Combining Statement of Net Position (continued)

December 31, 2022\*

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

	Medical Center	Foundation	Eliminations	Combined
<b>Current Liabilities</b>				
Accounts payable	\$ 5,503,517	\$ -	\$ -	\$ 5,503,517
Accrued compensation and paid time off	3,964,558	-	-	3,964,558
Current maturities of long-term debt, lease and subscription liabilities	1,732,170	-	-	1,732,170
Other current liabilities	864,950	-	-	864,950
Estimated self-insurance costs	1,220,000	-	-	1,220,000
Unearned revenue	-	2,000	-	2,000
<b>Total current liabilities</b>	<u>13,285,195</u>	<u>2,000</u>	<u>-</u>	<u>13,287,195</u>
<b>Other Liabilities</b>				
Long-term debt, lease and subscription liabilities	24,641,841	-	-	24,641,841
<b>Total other liabilities</b>	<u>24,641,841</u>	<u>-</u>	<u>-</u>	<u>24,641,841</u>
<b>Total liabilities</b>	<u>37,927,036</u>	<u>2,000</u>	<u>-</u>	<u>37,929,036</u>
<b>Deferred Inflows of Resources</b>				
Lease related	373,687	-	-	373,687
Property tax related	746,114	-	-	746,114
<b>Total liabilities and deferred inflows of resources</b>	<u>39,046,837</u>	<u>2,000</u>	<u>-</u>	<u>39,048,837</u>
<b>Net Position</b>				
Net investment in capital and lease assets	29,582,301	-	-	29,582,301
Restricted - expendable for				
Scholarships	-	57,106	-	57,106
Capital acquisitions	-	1,509,504	-	1,509,504
Other	87,991	454,168	-	542,159
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	85,737,160	1,224,034	-	86,961,194
<b>Total net position</b>	<u>115,447,452</u>	<u>3,244,812</u>	<u>-</u>	<u>118,692,264</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 154,494,289</u>	<u>\$ 3,246,812</u>	<u>\$ -</u>	<u>\$ 157,741,101</u>

\* Restated for Implementation of GASB 96

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2023**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts of \$4,505,472	\$ 129,529,195	\$ -	\$ -	\$ 129,529,195
Other operating revenue	<u>5,739,563</u>	<u>-</u>	<u>-</u>	<u>5,739,563</u>
Total operating revenues	<u>135,268,758</u>	<u>-</u>	<u>-</u>	<u>135,268,758</u>
<b>Operating Expenses</b>				
Salaries and wages	58,505,628	10,500	-	58,516,128
Employee benefits	13,180,134	-	-	13,180,134
Supplies	26,333,761	-	-	26,333,761
Purchased services	4,254,494	6,745	-	4,261,239
Professional fees	3,970,042	-	-	3,970,042
Depreciation and amortization	6,090,430	-	-	6,090,430
Provider fee expense	2,944,299	-	-	2,944,299
Repairs and maintenance	3,348,844	-	-	3,348,844
Lease and rental	104,353	-	-	104,353
Utilities	966,736	-	-	966,736
Insurance	587,428	-	-	587,428
Other expenses	<u>4,059,210</u>	<u>4,993</u>	<u>-</u>	<u>4,064,203</u>
Total operating expenses	<u>124,345,359</u>	<u>22,238</u>	<u>-</u>	<u>124,367,597</u>
<b>Operating Income (Loss)</b>	<u>10,923,399</u>	<u>(22,238)</u>	<u>-</u>	<u>10,901,161</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	828,955	-	-	828,955
Interest income	2,742,387	131,975	-	2,874,362
Noncapital grants and gifts	265,516	292,273	(263,531)	294,258
Contributions to the Medical Center	-	(176,931)	176,931	-
Gain on investments	785,833	-	-	785,833
Interest expense	(774,161)	-	-	(774,161)
Gain on sale of capital assets	55,300	-	-	55,300
Gain on investment in equity investee	113,015	-	-	113,015
Other	<u>(86,600)</u>	<u>(96,738)</u>	<u>86,600</u>	<u>(96,738)</u>
Total nonoperating revenues (expenses)	<u>3,930,245</u>	<u>150,579</u>	<u>-</u>	<u>4,080,824</u>
<b>Excess of Revenues Over Expenses Before Capital Gifts</b>	14,853,644	128,341	-	14,981,985
<b>Gifts and Grants to Purchase Capital Assets</b>	<u>238,040</u>	<u>-</u>	<u>-</u>	<u>238,040</u>
<b>Increase in Net Position</b>	15,091,684	128,341	-	15,220,025
<b>Net Position, Beginning of Year</b>	<u>115,447,452</u>	<u>3,244,812</u>	<u>-</u>	<u>118,692,264</u>
<b>Net Position, End of Year</b>	<u>\$ 130,539,136</u>	<u>\$ 3,373,153</u>	<u>\$ -</u>	<u>\$ 133,912,289</u>

**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended December 31, 2022\***

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Operating Revenues</b>				
Net patient service revenue, net of provision for uncollectible accounts of \$3,981,217	\$ 117,488,130	\$ -	\$ -	\$ 117,488,130
Other operating revenue	<u>5,319,266</u>	<u>-</u>	<u>-</u>	<u>5,319,266</u>
Total operating revenues	<u>122,807,396</u>	<u>-</u>	<u>-</u>	<u>122,807,396</u>
<b>Operating Expenses</b>				
Salaries and wages	49,617,951	10,350	-	49,628,301
Employee benefits	12,471,206	-	-	12,471,206
Supplies	23,290,210	-	-	23,290,210
Purchased services	4,020,356	1,128	-	4,021,484
Professional fees	3,874,238	-	-	3,874,238
Depreciation and amortization	6,130,257	-	-	6,130,257
Provider fee expense	2,437,622	-	-	2,437,622
Repairs and maintenance	3,290,287	-	-	3,290,287
Lease and rental	68,360	-	-	68,360
Utilities	984,906	-	-	984,906
Insurance	472,723	-	-	472,723
Other expenses	<u>3,708,062</u>	<u>8,801</u>	<u>-</u>	<u>3,716,863</u>
Total operating expenses	<u>110,366,178</u>	<u>20,279</u>	<u>-</u>	<u>110,386,457</u>
<b>Operating Income (Loss)</b>	<u>12,441,218</u>	<u>(20,279)</u>	<u>-</u>	<u>12,420,939</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	(1,118,314)	-	-	(1,118,314)
Interest income	666,871	13,880	-	680,751
Noncapital grants and gifts	621,448	525,411	(19,719)	1,127,140
Contributions to the Medical Center	-	(19,719)	19,719	-
Loss on investments	(717,617)	-	-	(717,617)
Interest expense	(819,554)	-	-	(819,554)
Loss on sale of capital assets	(13,749)	-	-	(13,749)
Gain on investment in equity investee	60,094	-	-	60,094
Other	<u>-</u>	<u>(87,580)</u>	<u>-</u>	<u>(87,580)</u>
Total nonoperating revenues (expenses)	<u>(1,320,821)</u>	<u>431,992</u>	<u>-</u>	<u>(888,829)</u>
<b>Excess of Revenues Over Expenses Before Capital Gifts</b>				
	11,120,397	411,713	-	11,532,110
<b>Gifts and Grants to Purchase Capital Assets</b>	<u>135,770</u>	<u>-</u>	<u>-</u>	<u>135,770</u>
<b>Increase in Net Position</b>	11,256,167	411,713	-	11,667,880
<b>Net Position, Beginning of Year</b>	<u>104,191,285</u>	<u>2,833,099</u>	<u>-</u>	<u>107,024,384</u>
<b>Net Position, End of Year</b>	<u>\$ 115,447,452</u>	<u>\$ 3,244,812</u>	<u>\$ -</u>	<u>\$ 118,692,264</u>

\* Restated for Implementation of GASB 96



**Salida Hospital District d/b/a Heart of the Rockies  
Regional Medical Center**  
**Budgeted and Actual Revenues and Expenses – Medical Center Only**  
**Year Ended December 31, 2023**

	<u>Actual</u>	<u>Budget</u>	<b>Favorable (Unfavorable) Variance</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 129,529,195	\$ 130,847,208	\$ (1,318,013)
Other operating revenue	<u>5,739,563</u>	<u>6,312,076</u>	<u>(572,513)</u>
	<u>135,268,758</u>	<u>137,159,284</u>	<u>(1,890,526)</u>
<b>Operating Expenses</b>			
Salaries, wages and employee benefits	71,685,762	70,697,272	(988,490)
Other operating expenses	<u>52,659,597</u>	<u>53,089,066</u>	<u>429,469</u>
	<u>124,345,359</u>	<u>123,786,338</u>	<u>(559,021)</u>
<b>Operating Income</b>	10,923,399	13,372,946	(2,449,547)
<b>Nonoperating Revenues (Expenses), Net</b>	<u>3,930,245</u>	<u>1,598,731</u>	<u>2,331,514</u>
<b>Excess of Revenues Over Expenses Before Capital Gifts</b>	<u>\$ 14,853,644</u>	<u>\$ 14,971,677</u>	<u>\$ (118,033)</u>

**Notes to Schedule**

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Appropriations are adopted by resolution in total. There were no supplemental budgets adopted during 2023.