Reports of Independent Auditors and
Financial Statements with
Supplementary Information

Telluride Hospital District

December 31, 2024 and 2023

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
Telluride Hospital District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Telluride Hospital District (the District), which comprise the statements of net position as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2024 and 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The schedule of budgeted and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of budgeted and actual revenues and expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss Adams LLP

Dallas, Texas
April 29, 2025

Management's Discussion and Analysis

Introduction

Management's discussion and analysis of Telluride Hospital District's (the District) financial performance provides an overview of the District's financial activities for the years ended December 31, 2024, 2023, and 2022. It should be read in conjunction with the District's financial statements.

Financial Highlights

- The District's net position increased by $4,154,090 or 110.4% in 2024, decreased by $2,460,097 or 39.5% in 2023, and decreased by $1,475,766 or 19.2% in 2022.
- Total operating revenues increased $1,882,771 or 42.7% in 2024, decreased by $1,205,703 or 21.5% in 2023, and decreased by $223,213 or 3.8% in 2022.
- Operating expenses increased by $1,308,691 or 12.5% in 2024, decreased by $507,531 or 4.6% in 2023, and increased by $646,258 or 6.2% in 2022.
- The District reported operating losses of $5,511,543 in 2024, $6,085,623 in 2023, and $5,387,451 in 2022.
- Nonoperating revenues increased $5,984,757 or 166.7% in 2024, decreased by $118,859 or 3.2% in 2023, and decreased by $884,878 or 19.3% in 2022.

Using This Annual Report

The District's financial statements consist of three statements: a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the District's finances is, "Is the District 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 reflect information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting requires that 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 on the District's net position and changes in them. The District's total net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources - are one measure of the District's financial health or financial position. Over time, increases or decreases in the District's non-financial net position is an indicator of whether its financial health is improving or deteriorating. Other factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided, and local economic factors should also be considered to assess the overall financial health of the District.

Additionally, in 2023, we received a Mill Levy to be paid out in 2024 in the amount of $7.4 million. This is an increase of approximately $4 million from previous years' levies. This levy continues in perpetuity unless the taxpayers vote to change or rescind.

Another change in 2023 was a switch to a new Revenue Cycle Management vendor in October 2023, which has shown an improvement in billing collections.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing 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 balance during the reporting period?"

The District's Net Position

The District's net position is the difference between its assets, liabilities, and deferred inflows of resources. The District's net position increased by $4,154,090 or 110.4% in 2024, decreased by $2,460,097 or 39.5% in 2023, and decreased by $1,475,766 or 19.2% in 2022 as shown below:

	2024	2023	2022
ASSETS			
Current assets	$ 14,627,996	$ 11,375,072	$ 6,797,521
Capital assets, net	3,089,591	2,101,594	3,395,475
Other noncurrent assets	25,680	25,680	28,599
Total assets	$ 17,743,267	$ 13,502,346	$ 10,221,595
LIABILITIES			
Current liabilities	$ 1,068,647	$ 1,333,778	$ 819,492
Noncurrent liabilities	900,000	950,000	-
Total liabilities	1,968,647	2,283,778	819,492
DEFERRED INFLOWS OF RESOURCES	7,858,400	7,456,438	3,179,876
NET POSITION			
Net investment in capital assets	3,089,591	2,101,594	3,395,475
Restricted by donors – expendable	429,428	272,198	62,702
Unrestricted	4,397,201	1,388,338	2,764,050
Total net position	7,916,220	3,762,130	6,222,227
Total liabilities, deferred inflows of resources, and net position	$ 17,743,267	$ 13,502,346	$ 10,221,595

Operating Results and Changes in the District's Net Position

The following table highlights the District's operations and changes in net position. The District had operating losses for 2024, 2023, and 2022. Net position increased in 2024 and decreased in 2023 and 2022.

	2024	2023	2022
OPERATING REVENUES			
Net patient service revenue	$ 5,916,276	$ 4,263,407	$ 5,361,760
Other operating revenue	378,980	149,078	256,428
Total operating revenue	6,295,256	4,412,485	5,618,188
OPERATING EXPENSES			
Salaries, wages, and employee benefits	6,822,785	5,499,506	5,753,200
Supplies, professional fees, and other	4,684,109	4,628,450	4,880,535
Depreciation and amortization	299,905	370,152	371,904
Total operating expenses	11,806,799	10,498,108	11,005,639
Operating loss	(5,511,543)	(6,085,623)	(5,387,451)
NONOPERATING REVENUES			
Property taxes revenues	7,695,831	3,229,702	3,130,032
Noncapital contributions and grants	964,930	169,757	70,056
Loss on disposal of capital assets	-	(969,407)	(127,072)
Net investment return	293,305	53,700	(59,994)
Community support activities	620,567	1,106,124	695,713
Nonoperating revenues, net	9,574,633	3,589,876	3,708,735
Excess (deficit) of revenues over expenses before capital contributions and grants	4,063,090	(2,495,747)	(1,678,716)
CAPITAL CONTRIBUTIONS AND GRANTS	91,000	35,650	202,950
CHANGE IN NET POSITION	4,154,090	(2,460,097)	(1,475,766)
NET POSITION, beginning of year	3,762,130	6,222,227	7,697,993
NET POSITION, end of year	$ 7,916,220	$ 3,762,130	$ 6,222,227

Operating Loss

The first component of the overall change in the District's net position is its operating loss, the difference between operating revenues and the expenses incurred to perform those services. The District reported operating losses of $5.5 million in 2024, $6.1 million in 2023, and $5.4 million in 2022.

Net patient service revenues increased approximately $1.7 million to approximately $5.9 million in 2024, an increase of 38.8% compared to 2023. Net patient service revenues decreased approximately $1.1 million to approximately $4.3 million in 2023 and decreased approximately $56,000 to approximately $5.4 million in 2022.

Operating expenses increased from approximately $10.5 million in 2023 to approximately $11.8 million in 2024, decreased from approximately $11.0 million in 2022 to approximately $10.5 million in 2023.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District and grants and contributions received from donors and government agencies.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating loss and nonoperating revenues and expenses, as discussed earlier.

Capital Assets

At the end of 2024, 2023, and 2022, the District had $3,089,591, $2,101,594, and $3,395,475 invested in capital assets, net of accumulated depreciation. During 2024, the District invested approximately $996,000 in new capital assets for condominiums for employee housing, administrative equipment, and medical equipment. During 2023, the District invested approximately $46,000 in new capital assets, primarily for administrative equipment. During 2022, the District invested approximately $335,000 in new capital assets, primarily for the new facility project.

Other Economic Factors

The District is in a rural area that is predominately a resort community. Additional economic factors affecting the District include changes in the county population, increasing numbers of uninsured or underinsured patients, and increasing costs of recruiting, hiring, and retaining health care professionals. The Medical Center operates with significant changes in monthly volume due to the highly seasonal nature of a ski resort town, which negatively affects operating margins. Additionally, to support the local community, we operate an Emergency Room service which, due to seasonality and overall low volumes compared to cost, operates at a deficit.

Contacting the District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the funds it receives. Questions about this report and requests for additional financial information should be directed to the Telluride Hospital District's Financial Director, 500 West Pacific Avenue, Telluride, Colorado 81435.

Financial Statements

Telluride Hospital District
Statements of Net Position
December 31, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 4,891,114	$ 1,976,011
Investments	400,621	731,811
Receivables		
Patient, net of estimated uncollectibles of approximately $303,376 and $561,725 in 2024 and 2023	1,122,759	1,126,937
Contributions	190,275	-
Property taxes	7,858,400	7,456,438
Supplies and prepaid expenses	164,827	83,875
Total current assets	14,627,996	11,375,072
CAPITAL ASSETS, net	3,089,591	2,101,594
OTHER ASSETS	25,680	25,680
Total assets	$ 17,743,267	$ 13,502,346

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 224,815	$ 174,565
Accrued compensation and employee benefits	548,832	509,213
Deferred grant revenue	45,000	-
Current portion of municipality funds payable	250,000	650,000
Total current liabilities	1,068,647	1,333,778
MUNICIPALITY FUNDS PAYABLE, net of current portion	900,000	950,000
Total liabilities	1,968,647	2,283,778
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	7,858,400	7,456,438
NET POSITION		
Net investment in capital assets	3,089,591	2,101,594
Restricted by donors – expendable	429,428	272,198
Unrestricted	4,397,201	1,388,338
Total net position	7,916,220	3,762,130
Total liabilities, deferred inflows of resources, and net position	$ 17,743,267	$ 13,502,346

See accompanying notes.

Telluride Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts of $720,792 and $529,949 in 2024 and 2023	$ 5,916,276	$ 4,263,407
Other operating revenue	378,980	149,078
Total operating revenues	6,295,256	4,412,485
OPERATING EXPENSES		
Salaries and wages	5,436,709	4,371,697
Employee benefits	1,386,076	1,127,809
Professional and contract services	3,108,760	3,118,275
Supplies	724,491	769,673
Depreciation	299,905	370,152
Information technology	321,953	221,693
Occupancy	336,510	372,122
Other	192,395	146,687
Total operating expenses	11,806,799	10,498,108
OPERATING LOSS	(5,511,543)	(6,085,623)
NONOPERATING REVENUES (EXPENSES)		
Property tax revenue	7,695,831	3,229,702
Noncapital contributions and grants	964,930	169,757
Loss on disposal of capital assets	-	(969,407)
Investment income, net	293,305	53,700
Community support activities	620,567	1,106,124
Total nonoperating revenues, net	9,574,633	3,589,876
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	4,063,090	(2,495,747)
CAPITAL CONTRIBUTIONS AND GRANTS	91,000	35,650
CHANGE IN NET POSITION	4,154,090	(2,460,097)
NET POSITION, beginning of year	3,762,130	6,222,227
NET POSITION, end of year	$ 7,916,220	$ 3,762,130

See accompanying notes.

Telluride Hospital District
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patient services	$ 5,920,454	$ 4,400,807
Payments to and on behalf of employees	(6,783,166)	(5,668,639)
Payments to suppliers and contractors	(4,714,811)	(4,437,562)
Other receipts and payments, net	378,980	151,997
Net cash from operating activities	(5,198,543)	(5,553,397)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax revenue	7,695,831	3,229,702
Noncapital contributions and grants	169,655	169,757
Community support activities	620,567	1,106,124
Municipality funds received	200,000	1,600,000
Net cash from noncapital financing activities	8,686,053	6,105,583
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets, depreciable	(1,287,902)	(45,678)
Capital contributions and grants	91,000	35,650
Net cash from capital financing activities	(1,196,902)	(10,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,715)	(1,551,023)
Proceeds from sale of investments	335,905	1,551,314
Investment income	293,305	53,700
Net cash from investing activities	624,495	53,991
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,915,103	596,149
CASH AND CASH EQUIVALENTS, beginning of year	1,976,011	1,379,862
CASH AND CASH EQUIVALENTS, end of year	$ 4,891,114	$ 1,976,011

See accompanying notes.

Telluride Hospital District
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	$ (5,511,543)	$ (6,085,623)
Adjustments to reconcile operating loss to cash used for operating activities		
Depreciation	299,905	370,152
Provision for bad debts	720,792	529,949
Changes in assets and liabilities		
Patient receivables	(716,614)	(392,549)
Supplies and prepaid expenses	(80,952)	157,469
Other assets	-	2,919
Accounts payable	50,250	33,419
Accrued compensation and employee benefits	39,619	(169,133)
Net cash used for operating activities	$ (5,198,543)	$ (5,553,397)
SUPPLEMENTAL SCHEDULE OF NONCASH NONCAPITAL FINANCING ACTIVITIES		
Municipality funds recognized as nonoperating revenue	$ 650,000	$ -

See accompanying notes.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Telluride Hospital District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

Reporting entity – The District was established in 1983 to operate and maintain a community health clinic and emergency center for the diagnosis and treatment of individuals requiring outpatient services and emergency care in the community and surrounding area of Telluride, Colorado. In addition to its primary purpose, the District supports community health care through ongoing review and assessment of regional health care needs and cooperation with local, regional, state, and federal health care initiatives.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Blended component unit – Telluride Medical Center Foundation (the Foundation) was formed exclusively for charitable purposes for the benefit of the District. The Foundation is organized as a Colorado nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been determined to be a component unit based on the Foundation's bylaws and is presented as a blended component unit in the District's financial statements. The financial statements include the financial activity of the District and Foundation. All significant intercompany transactions and balances have been eliminated.

Measurement focus and basis of accounting – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of presentation – The statement of net position displays the District's assets, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position, expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Restricted net position, nonexpendable – Nonexpendable net position is subject to externally imposed stipulations, which require them to be maintained permanently by the District. There was no restricted net position, nonexpendable as of December 31, 2024 and 2023.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Recent accounting pronouncements – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. An amendment to Statement No. 62, the standard clarifies practice by providing guidance for changes in the financial reporting entity, accounting principles, and estimates used to prepare financial information. The new standard also prescribes the treatment for the correction of errors in previously issued financial statements. This statement was adopted for the year ended December 31, 2024. There was no impact to the financial statements upon adoption.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objectives of this statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement apply to the financial statements of all state and local governments. This statement was adopted for the year ended December 31, 2024, and did not result in any changes to how the District has historically accrued for compensated absences.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statement with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. In addition, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for District for the year ended December 31, 2025.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. This statement is effective for the District for the year ended December 31, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of the financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class and additional disclosures for capital assets held for sale. This statement is effective for the District for the year ended December 31, 2026.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*. The implementation guide 2021 states that it may be appropriate for a government to establish a capitalization policy that would require capitalization of certain types of assets whose individual acquisition costs are less than the threshold for an individual asset. This statement was adopted for the year ended December 31, 2024. There was no impact to the financial statements upon adoption.

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

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less. For purposes of the statement of cash flows, the District considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Investments and investment income – Investments are measured at fair value in the accompanying statements of net position. Interest, dividends, gains, and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Patient receivables – Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Property tax receivable and revenues – Property tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the property tax receivable has been recorded, the related revenue is considered a deferred inflow of resources and will not be recognized as revenue until the year in which it is levied.

Lien date	January 1
Levy date	January 1, succeeding year
Due dates	February 28 and June 15, succeeding year

In 2024 and 2023, the District received $7,695,831 and $3,229,702, respectively, which was used for the District's general operations.

Supplies – Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Capital assets – Property and equipment acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of capital assets are as follows:

Buildings and improvements	5–40 years
Equipment	5–20 years
Furniture and fixtures	10–15 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of (less than) expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

The District evaluates capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Assets to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Assets that are held and in use are reviewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for assets to be disposed of or assets to be held and used, are recorded as operating expenses. No impairments have been identified as of December 31, 2024 and 2023.

Compensated absences – During the year ended December 31, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. The implementation of the statement did not change how the District was accounting for compensated absences.

The District's employees earn paid leave at varying rates depending on years of service. Employees may accumulate paid leave up to a specified maximum. The liability for compensated absences is included with accrued compensation and employee benefits in the accompanying financial statements.

Deferred inflows of resources – Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements include property taxes. Property taxes will be recognized as revenue in the year they are levied.

Operating revenues and expenses – The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District result from exchange transactions associated with providing health care services – the District's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net patient service revenue – The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Charity care – The District provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less that established rates. Since the District does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately $160,000 and $61,000 for the years ended December 31, 2024 and 2023, respectively; it is calculated by multiplying the ratio of cost to gross charges for the District by the gross uncompensated charges associated with providing charity care to its patients.

Grants and contributions – The District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts nonoperating that are unrestricted or that are restricted to a specific operating purpose are reported as revenues. Amounts restricted to capital acquisitions are reported after excess (deficit) of revenues over expenses. Contributions made directly to the Foundation are included in community support activities on the accompanying statements of revenues, expenses, and changes in net position.

Budgets – The District adopts an annual budget in accordance with Colorado Statutes. The budgeted revenue and expenditures are used by management as a control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

Note 2 – Net Patient Service Revenue

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

Medicare/Medicaid – Clinical and emergency services rendered to program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors.

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

Concentration of net revenues by major payor accounted for the following percentages of the District's patient service revenues for the years ended December 31, 2024 and 2023:

	2024	2023
Other third-party payors and patients	79%	77%
Patient self-pay	7%	6%
Medicare	10%	11%
Medicaid	4%	6%
	100%	100%

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in estimates for the year ended December 31, 2024, were not significant. Changes in estimates resulted in a net decrease to net patient service revenues of approximately $300,000 for the year ended December 31, 2023.

Note 3 – Deposits and Investments

The carrying amounts of deposits and investments as of December 31, 2024 and 2023, are as follows:

	2024	2023
Cash and cash equivalents		
Checking accounts	$ 4,797,168	$ 1,179,965
Money market	93,946	796,046
Total cash and cash equivalents	4,891,114	1,976,011
Investments		
Colotrust	16,691	15,833
Exchange-traded funds		
Fixed income	345,685	633,009
Equities	38,245	82,969
Total investments	400,621	731,811
	$ 5,291,735	$ 2,707,822

The District's investments are reported at fair value. The District's investments as of December 31, 2024 and 2023, include $16,691 and $15,833, respectively, of investments in Colotrust, a local government investment pool established for local governments in Colorado. These pools operate similar to money market funds and each share is equal in value to $1. This investment is reported at Net Asset Value per share, as reported by the custodian. State statute limits Colotrust investments to U.S. Treasury and U.S. agency securities, and is rated AAA by Standard and Poor's.

The District's deposits and investments were subject to the following risks at December 31, 2024 and 2023:

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank or investment company failure, the District's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the District. Statutes also require that the market value of the collateral be at least 102% of the excess deposits. The District's deposit policy does not further restrict bank deposits or limit investment deposits.

The District's maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2024 and 2023, the District had approximately $4,477,000 and $1,418,000, respectively, in excess of FDIC-insured limits.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the District's investment in a single issuer. The District does not have a formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair value measurement – The District utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Consists of quoted prices (unadjusted) in the active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Include inputs other than quoted prices in Level 1 directly or indirectly observable for the assets or liabilities.

Level 3 – Are unobservable inputs for the assets or liabilities.

The table below presents the amounts within each valuation hierarchy level for those assets measured at fair value (investments) based on the inputs used to value them as of December 31, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Exchange-traded funds				
Fixed income	$ 345,685	$ -	$ -	$ 345,685
Equities	38,245	-	-	38,245
	$ 383,930	$ -	$ -	383,930
Investments measured at net asset value (NAV) (practical expedient)				16,691
Total				$ 400,621

	2023			
	Level 1	Level 2	Level 3	Total
Investments, at fair value				
Exchange-traded funds				
Fixed income	$ 633,009	$ -	$ -	$ 633,009
Equities	82,969	-	-	82,969
	$ 715,978	$ -	$ -	715,978
Investments measured at NAV (practical expedient)				15,833
Total				$ 731,811

Investment income – Investment income from these investments consists of the following as of December 31, 2024 and 2023:

	2024	2023
Interest and dividends	$ 278,536	$ 31,872
Net realized gains	15,691	10,017
Change in accumulated unrealized (losses) gains	(922)	11,811
Investment income, net	$ 293,305	$ 53,700

Note 4 – Capital Assets

Capital assets additions, retirements, and balances for the years ended December 31, 2024 and 2023, are as follows:

	Balance December 31, 2023	Additions	Retirements	Balance December 31, 2024
Capital assets not being depreciated				
New facility project	$ 314,042	$ -	$ -	$ 314,042
Employee housing project	-	155,100	-	155,100
Total capital assets not being depreciated	314,042	155,100	-	469,142
Capital assets being depreciated				
Medical equipment	2,382,981	268,409	-	2,651,390
Building improvements	2,984,285	-	-	2,984,285
Administrative equipment	966,071	172,243	(2,467)	1,135,847
Furniture and fixtures	79,060		-	79,060
Buildings	-	692,150	-	692,150
Total capital assets being depreciated	6,412,397	1,132,802	(2,467)	7,542,732
Less accumulated depreciation				
Medical equipment	1,906,663	145,008	-	2,051,671
Building improvements	1,754,727	104,873	-	1,859,600
Administrative equipment	890,266	40,359	(2,467)	928,158
Furniture and fixtures	73,189	1,120	-	74,309
Buildings	-	8,545	-	8,545
Total accumulated depreciation	4,624,845	299,905	(2,467)	4,922,283
Net capital assets being depreciated	1,787,552	832,897	-	2,620,449
Capital assets, net	$ 2,101,594	$ 987,997	$ -	$ 3,089,591

	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023
Capital assets not being depreciated				
New facility project	$ 1,143,537	$ -	$ (829,495)	$ 314,042
Capital assets being depreciated				
Medical equipment	2,419,099	8,763	(44,881)	2,382,981
Building improvements	3,079,447	1,852	(97,014)	2,984,285
Administrative equipment	931,008	35,063	-	966,071
Furniture and fixtures	79,060	-	-	79,060
Total capital assets being depreciated	6,508,614	45,678	(141,895)	6,412,397
Less accumulated depreciation				
Medical equipment	1,717,972	190,674	(1,983)	1,906,663
Building improvements	1,652,428	102,299	-	1,754,727
Administrative equipment	814,432	75,834	-	890,266
Furniture and fixtures	71,844	1,345	-	73,189
Total accumulated depreciation	4,256,676	370,152	(1,983)	4,624,845
Net capital assets being depreciated	2,251,938	(324,474)	(139,912)	1,787,552
Capital assets, net	$ 3,395,475	$ (324,474)	$ (969,407)	$ 2,101,594

The new facility project represents costs related to the design and construction of a new facility. The new facility is in the planning and site selection phase. During the year ended December 31, 2023, management wrote off previously capitalized costs of $829,495 related to this project due to changes in the scope and status of the project. The employee housing project represents costs related to securing the purchase of the Meadowlark condo that will be utilized for employee housing. The District completed the purchase of the Meadowlark Condo on January 6, 2025, for a total cost of $1,098,797. The purchase was partially financed by a $774,000 promissory note agreement entered on January 6, 2025, with Citizens State Bank (see Note 10). There are no other commitments at December 31, 2024, related to the projects above.

Note 5 – Municipality Funds Payable

During the year ended December 31, 2023, the District received a promissory note from the Town of Telluride for $650,000. The note was zero-interest, and the principal was due in full on October 31, 2024. The full balance of the note was included in the current portion of municipality funds payable as of December 31, 2023. During the year ended December 31, 2024, the District and the Town of Telluride amended the promissory note and agreed to a four-year zero-interest payment schedule, with the final payment due on April 1, 2028.

Also during the year ended December 31, 2023, the District received $650,000 and $300,000 from the Town of Mountain Village and San Miguel County, respectively. There was no explicit obligation to repay these funds, and as of December 31, 2023, the District had not determined whether the funds would be repaid or recognized as contributions. For the year ended December 31, 2024, the District recognized the Town of Mountain Village $650,000 municipality funds as noncapital contributions and grants revenue. For the year ended December 31, 2024, the District received an additional $200,000 from the San Miguel County with no explicit obligation to repay these funds. The District's board made the decision to repay the San Miguel County funds over a total of five years, with the first payment scheduled in 2025.

Future payments of the municipal funds payable for the years ending December 31 are as follows:

	Town of Telluride	San Miguel County	Total
2025	$ 150,000	$ 100,000	$ 250,000
2026	150,000	100,000	250,000
2027	175,000	100,000	275,000
2028	175,000	100,000	275,000
2029	-	100,000	100,000
	$ 650,000	$ 500,000	$ 1,150,000

Note 6 – Pension Plans

Plan description and funding policy – The District has a deferred compensation plan (the Plan) through annuity contracts with Colorado County Officials and Employees Retirement Association (CCOERA) in accordance with Section 457(b) of the Internal Revenue Code (IRC). The Plan allows participating employees to defer a portion of their compensation for retirement purposes. The deferred compensation is invested for the participants by the District under the agreements in the Plan. Under provisions of the IRC, all Plan assets are considered to be the property of the eligible participants and are therefore not considered to be assets of the District.

The District has offered a 401(a) Plan through CCOERA. Under terms of the Plan, all employees who have completed one year of service are eligible to participate. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. Participants may defer a portion of their compensation up to specified limits according to the IRC. The District will match 3% of the participants' contributions monthly. For the years ended December 31, 2024 and 2023, the District contributed $97,216 and $65,881, respectively, to the Plan.

Note 7 – Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2024 and 2023, was as follows:

	2024	2023
Other third-party payors and patients	67%	66%
Patient self-pay	19%	17%
Medicare	9%	9%
Medicaid	5%	8%
	100%	100%

Note 8 – Contingencies

Risk management – The District is exposed to various risks of loss from torts; theft or damage of assets; business interruptions; 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.

Malpractice insurance – The District has malpractice insurance coverage to provide protection for professional liability losses on an occurrence basis subject to a limit of $1 million per claim and an annual aggregate limit of $3 million.

Litigation, claims, and disputes – The District is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the District.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Note 9 – Presentation of Component Unit

The following summarizes combining information for the District and Foundation which has been presented as a blended component unit, as of and for the year ended December 31, 2024.

The combining statement of net position as of December 31, 2024, is presented below:

	District	Foundation	Eliminations	Combined
Assets				
Total current assets	$ 13,330,745	$ 1,319,672	$ (22,421)	$ 14,627,996
Capital assets, net	2,934,491	155,100	-	3,089,591
Other noncurrent assets	-	25,680	-	25,680
Total assets	$ 16,265,236	$ 1,500,452	$ (22,421)	$ 17,743,267
Liabilities, deferred inflows of resources, and net position				
Current liabilities	$ 1,067,892	$ 23,176	$ (22,421)	$ 1,068,647
Noncurrent liabilities	900,000	-	-	900,000
Deferred inflows of resources	7,858,400	-	-	7,858,400
Total liabilities and deferred inflows of resources	9,826,292	23,176	(22,421)	9,827,047
Net position				
Net investment in capital assets	3,089,591	-	-	3,089,591
Restricted by donors – expendable	-	429,428	-	429,428
Unrestricted	3,349,353	1,047,848	-	4,397,201
Total net position	6,438,944	1,477,276	-	7,916,220
Total liabilities, deferred inflows of resources, and net position	$ 16,265,236	$ 1,500,452	$ (22,421)	$ 17,743,267

The combining statement of changes in revenues, expenses, and changes in net position for the year ended December 31, 2024, is presented below:

	District	Foundation	Eliminations	Combined
Operating revenues				
Net patient service revenue	$ 5,916,276	$ -	$ -	$ 5,916,276
Other revenue	378,980	-	-	378,980
Total operating revenues	6,295,256	-	-	6,295,256
Operating expenses				
Other operating expenses	11,177,929	1,274,000	(945,035)	11,506,894
Depreciation	299,905	-	-	299,905
Total operating expenses	11,477,834	1,274,000	(945,035)	11,806,799
Operating loss	(5,182,578)	(1,274,000)	945,035	(5,511,543)
Nonoperating revenues, net	9,678,740	840,928	(945,035)	9,574,633
Excess (deficit) of revenues in excess of expenses before capital contributions and grants	4,496,162	(433,072)	-	4,063,090
Capital contributions and grants	-	91,000	-	91,000
Change in net position	4,496,162	(342,072)	-	4,154,090
Net position, beginning of year	1,942,782	1,819,348	-	3,762,130
Net position, end of year	$ 6,438,944	$ 1,477,276	$ -	$ 7,916,220

The combining statement of cash flows for the year ended December 31, 2024, is presented below:

	District	Foundation	Eliminations	Combined
Net cash flows from				
Operating activities	$ (3,895,690)	$ (1,302,853)	$ -	$ (5,198,543)
Noncapital financing activities	8,155,123	530,930	-	8,686,053
Capital financing activities	(1,132,802)	(64,100)	-	(1,196,902)
Investing activities	169,198	455,297	-	624,495
Net change in cash and cash equivalents	3,295,829	(380,726)	-	2,915,103
Cash and cash equivalents, beginning of year	846,292	1,129,719	-	1,976,011
Cash and cash equivalents, end of year	$ 4,142,121	$ 748,993	$ -	$ 4,891,114
Supplemental schedule of noncash noncapital financing activities				
Municipality funds recognized as nonoperating revenue	$ 650,000	$ -	$ -	$ 650,000

The following summarizes combining information for the District and Foundation, which has been presented as a blended component unit, as of and for the year ended December 31, 2023.

The combining statement of net position as of December 31, 2023, is presented below:

	District	Foundation	Eliminations	Combined
Assets				
Total current assets	$ 9,581,404	$ 1,845,697	$ (52,029)	$ 11,375,072
Capital assets, net	2,101,594	-	-	2,101,594
Other noncurrent assets	-	25,680	-	25,680
Total assets	$ 11,682,998	$ 1,871,377	$ (52,029)	$ 13,502,346
Liabilities, deferred inflows of resources, and net position				
Current liabilities	$ 1,333,778	$ 52,029	$ (52,029)	$ 1,333,778
Noncurrent liabilities	950,000	-	-	950,000
Deferred inflows of resources	7,456,438	-	-	7,456,438
Total liabilities and deferred inflows of resources	9,740,216	52,029	(52,029)	9,740,216
Net position				
Net investment in capital assets	2,101,594	-	-	2,101,594
Restricted by donors – expendable	-	272,198	-	272,198
Unrestricted	(158,812)	1,547,150	-	1,388,338
Total net position	1,942,782	1,819,348	-	3,762,130
Total liabilities, deferred inflows of resources, and net position	$ 11,682,998	$ 1,871,377	$ (52,029)	$ 13,502,346

The combining statement of changes in revenues, expenses, and changes in net position for the year ended December 31, 2023, is presented below:

	District	Foundation	Eliminations	Combined
Operating revenues				
Net patient service revenue	$ 4,263,407	$ -	$ -	$ 4,263,407
Other revenue	149,078	-	-	149,078
Total operating revenues	4,412,485	-	-	4,412,485
Operating expenses				
Other operating expenses	10,049,532	1,179,147	(1,100,723)	10,127,956
Depreciation	370,152	-	-	370,152
Total operating expenses	10,419,684	1,179,147	(1,100,723)	10,498,108
Operating loss	(6,007,199)	(1,179,147)	1,100,723	(6,085,623)
Nonoperating revenues, net	3,559,692	1,130,907	(1,100,723)	3,589,876
Deficit of revenues in excess of expenses before capital contributions and grants	(2,447,507)	(48,240)	-	(2,495,747)
Capital contributions and grants	-	35,650	-	35,650
Change in net position	(2,447,507)	(12,590)	-	(2,460,097)
Net position, beginning of year	4,390,289	1,831,938	-	6,222,227
Net position, end of year	$ 1,942,782	$ 1,819,348	$ -	$ 3,762,130

The combining statement of cash flows for the year ended December 31, 2023, is presented below:

	District	Foundation	Eliminations	Combined
Net cash flows from				
Operating activities	$ (4,391,964)	$ (1,161,433)	$ -	$ (5,553,397)
Noncapital financing activities	5,026,937	1,078,646	-	6,105,583
Capital financing activities	(45,678)	35,650	-	(10,028)
Investing activities	229,024	(175,033)	-	53,991
Net change in cash and cash equivalents	818,319	(222,170)	-	596,149
Cash and cash equivalents, beginning of year	27,973	1,351,889	-	1,379,862
Cash and cash equivalents, end of year	$ 846,292	$ 1,129,719	$ -	$ 1,976,011

Note 10 – Subsequent Event

On January 6, 2025, the District completed the purchase of the Meadowlark Condo for a total cost of $1,098,797. The purchase was partially financed by a $774,000 promissory note agreement entered on January 6, 2025, with Citizens State Bank. The promissory note term is for twenty-five years beginning on February 6, 2025, and maturing on January 6, 2050. The promissory note accrues interest for the first sixty months at a rate of 6.00% per annum beginning February 6, 2025, with monthly payments beginning February 6, 2025. Subsequent to the initial sixty-month period, the promissory note accrues interest for the next two hundred and forty months at a rate based on the prime rate less a margin of 1.75%.

Management has evaluated subsequent events through April 29, 2025, and no other significant events have occurred that would require disclosure or adjustment to the financial statements.

Supplementary Information

Telluride Hospital District
Schedule of Budgeted and Actual Revenues and Expenses
December 31, 2024

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net patient service revenue	$ 5,916,276	$ 5,939,407	$ (23,131)
Other revenue	378,980	210,000	168,980
	6,295,256	6,149,407	145,849
OPERATING EXPENSES			
Salaries and wages	5,436,709	5,519,716	83,007
Employee benefits	1,386,076	1,070,536	(315,540)
Professional and contract services	3,108,760	2,673,040	(435,720)
Supplies	724,491	565,635	(158,856)
Depreciation	299,905	339,053	39,148
Information technology	321,953	434,318	112,365
Occupancy	336,510	489,863	153,353
Other	192,395	58,916	(133,479)
	11,806,799	11,151,077	(655,722)
Operating loss	(5,511,543)	(5,001,670)	(509,873)
NONOPERATING REVENUE, net	9,574,633	8,568,438	1,006,195
CAPITAL CONTRIBUTIONS AND GRANTS	91,000	-	91,000
CHANGE IN NET POSITION	$ 4,154,090	$ 3,566,768	$ 587,322

Notes to Schedule

1. 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.

2. Appropriations are adopted by resolutions in total.

3. Management believes that the District is compliant with the rules of Colorado’s Taxpayer’s Bill of Rights (TABOR).

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Telluride Hospital District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Telluride Hospital District (the District), which comprise the statement of net position as of and for the year ended December 31, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated April 29, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Moss Adams LLP

Dallas, Texas
April 29, 2025

<u>2024-001 – Recognition of Nonexchange Transactions (Significant Deficiency in Internal Control over Financial Reporting)</u>

Criteria – GASB Statement No. 33 requires that nonexchange revenues such as contributions with donor-imposed restrictions and grant revenues be recognized when all eligibility requirements imposed by the provider have been met, the resources are available for expenditure, and the resources are intended for a specific purpose as stipulated by the provider.

Condition – The District did not properly identify, track, and classify net position. Additionally, grant revenues were recognized prior to the District meeting the specific purpose of the grant award.

Cause – Although we noted progress made to improve the processes and controls in identifying, tracking, and recording activities related to net position restricted by donors, errors persisted with identifying, tracking, and recording all contributions with donor-imposed restrictions. The improper recognition of grant revenues was primarily due to a misunderstanding of the timing for revenue recognition.

Effect – Audit adjustments of $230,000 and $43,000 were required to adjust the balance of net position. Additionally, an audit adjustment of $45,000 was required to adjust grant revenues recognized during 2024 to deferred grant revenues.

Recommendation – We recommend that the District design and implement controls to ensure proper identification, tracking, recording, and review of contributions with donor-imposed restrictions and grant revenues.

Views of Responsible Officials – Management agrees proper identification, tracking, recording and review of contributions with donor-imposed restrictions and grant revenue should be developed. The CFO will design and implement these controls in 2025.

<u>2024-002 – Segregation of Duties (Significant Deficiency in Internal Control over Financial Reporting)</u>

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition – The limited number of staff of the District does not facilitate the segregation of duties necessary to achieve a low level of control risk.

Cause – Although we noted progress made to improve the District's internal control structure by contracting with a third party contractor to review month-end reconciliations, various internal control procedures were performed by the same individual during the year.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect and correct unintentional or intentional misstatements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – The District should continually review its internal control procedures, other compensating controls, and monitoring procedures to obtain the maximum internal control possible under the circumstances.

Views of Responsible Officials – Management agrees more segregation of duties needs to be in place to have adequate internal controls. Management also agrees that given the limited size and staff, there are not enough layers to have a robust segregation of duties like large organizations.

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