

Reports of Independent Auditors and
Financial Statements with
Supplementary Information

Telluride Hospital District

December 31, 2025 and 2024



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Report of Independent Auditors

The Board of Directors
Telluride Hospital District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, 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 Opinions

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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of budgeted and actual revenues and expense is 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 GAAS. In our opinion, the schedule of budgeted and actual revenues and expenses is fairly stated, in all material respects, in relation to the basic 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 23, 2026, 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.

Baker Tilly US, LLP

Albuquerque, New Mexico
April 23, 2026

Management's Discussion and Analysis

Telluride Hospital District 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, 2025, 2024, and 2023. It should be read in conjunction with the District's financial statements.

Financial Highlights

- The District's net position increased by \$2,221,806 or 28.1% in 2025, \$4,154,090 or 110.4% in 2024, and decreased by \$2,460,097 or 39.5% in 2023.
- Total operating revenues decreased by \$190,169 or 3.0% in 2025, increased by \$1,882,771 or 42.7% in 2024, and decreased by \$1,205,703 or 21.5% in 2023.
- Operating expenses increased by \$986,061 or 8.4%, increased by \$1,308,691 or 12.5% in 2024, and decreased by \$507,531 or 4.6% in 2023.
- The District reported operating losses of \$6,687,773 in 2025, \$5,511,543 in 2024, \$6,085,623 in 2023.
- Nonoperating revenues decreased by \$668,754 or 7.0% in 2025, increased by \$5,984,757 or 166.7% in 2024, and decreased by \$118,859 or 3.2% in 2023.

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.

Telluride Hospital District Management's Discussion and Analysis

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?"

Telluride Hospital District Management's Discussion and Analysis

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 \$2,221,806 or 28.1% in 2025, increased by \$4,154,090 or 110.4% in 2024, and decreased by \$2,460,097 or 39.5% in 2023 as shown below:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Current assets	\$ 17,342,194	\$ 14,627,996	\$ 11,375,072
Capital assets, net	3,759,626	3,089,591	2,101,594
Other noncurrent assets	<u>25,680</u>	<u>25,680</u>	<u>25,680</u>
 Total assets	 <u>\$ 21,127,500</u>	 <u>\$ 17,743,267</u>	 <u>\$ 13,502,346</u>
 LIABILITIES			
Current liabilities	\$ 1,267,522	\$ 1,068,647	\$ 1,333,778
Noncurrent liabilities	<u>1,396,729</u>	<u>900,000</u>	<u>950,000</u>
 Total liabilities	 <u>2,664,251</u>	 <u>1,968,647</u>	 <u>2,283,778</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>8,325,223</u>	 <u>7,858,400</u>	 <u>7,456,438</u>
 NET POSITION			
Net investment in capital assets	2,998,322	3,089,591	2,101,594
Restricted by donors – expendable	431,023	429,428	272,198
Unrestricted	<u>6,708,681</u>	<u>4,397,201</u>	<u>1,388,338</u>
 Total net position	 <u>10,138,026</u>	 <u>7,916,220</u>	 <u>3,762,130</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 21,127,500</u>	 <u>\$ 17,743,267</u>	 <u>\$ 13,502,346</u>

Telluride Hospital District Management's Discussion and Analysis

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 2025, 2024, and 2023. Net position increased in 2025 and 2024 and decreased in 2023.

	2025	2024	2023
OPERATING REVENUES			
Net patient service revenue	\$ 5,667,006	\$ 5,916,276	\$ 4,263,407
Other operating revenue	438,081	378,980	149,078
Total operating revenue	6,105,087	6,295,256	4,412,485
OPERATING EXPENSES			
Salaries, wages, and employee benefits	7,373,472	6,822,785	5,499,506
Supplies, professional fees, and other	5,006,630	4,684,109	4,628,450
Depreciation and amortization	412,758	299,905	370,152
Total operating expenses	12,792,860	11,806,799	10,498,108
Operating loss	(6,687,773)	(5,511,543)	(6,085,623)
NONOPERATING REVENUES (EXPENSES)			
Property tax revenues	7,886,856	7,695,831	3,229,702
Noncapital contributions and grants	211,181	964,930	169,757
Loss on disposal of capital assets	-	-	(969,407)
Net investment return	278,764	293,305	53,700
Rental income	96,000	-	-
Interest expense	(42,171)	-	-
Community support activities	475,249	620,567	1,106,124
Nonoperating revenues, net	8,905,879	9,574,633	3,589,876
Excess (deficit) of revenues over expenses before capital contributions and grants	2,218,106	4,063,090	(2,495,747)
CAPITAL CONTRIBUTIONS AND GRANTS	3,700	91,000	35,650
CHANGE IN NET POSITION	2,221,806	4,154,090	(2,460,097)
NET POSITION, beginning of year	7,916,220	3,762,130	6,222,227
NET POSITION, end of year	\$ 10,138,026	\$ 7,916,220	\$ 3,762,130

Telluride Hospital District Management's Discussion and Analysis

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 \$6.7 million in 2025, \$5.5 million in 2024, and \$6.1 million in 2023.

Net patient service revenues decreased approximately \$249,270 to approximately \$5.7 million in 2025. Net patient service revenues increased \$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.

Operating expenses increased from approximately \$11.8 million in 2024 to \$12.8 million in 2025, and increased from approximately \$10.5 million in 2023 to approximately \$11.8 million in 2024.

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 2025, 2024, and 2023, the District had \$3,759,626, \$ 3,089,591, and \$2,101,594 invested in capital assets, net of accumulated depreciation. During 2025, the District invested approximately \$1,082,793 in new capital assets for condominiums for employee housing, administrative equipment, and medical equipment. 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.

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.

Telluride Hospital District Management's Discussion and Analysis

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, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,010,181	\$ 4,891,114
Investments	740,115	400,621
Receivables		
Patient, net of estimated uncollectibles of \$199,900 and \$303,376 in 2025 and 2024	886,869	1,122,759
Contributions	96,375	190,275
Property taxes	8,325,223	7,858,400
Supplies and prepaid expenses	283,431	164,827
Total current assets	17,342,194	14,627,996
CAPITAL ASSETS, net	3,759,626	3,089,591
OTHER ASSETS	25,680	25,680
Total assets	\$ 21,127,500	\$ 17,743,267

See accompanying notes.

Telluride Hospital District
Statements of Net Position
December 31, 2025 and 2024

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 314,267	\$ 224,815
Accrued compensation and employee benefits	594,241	548,832
Deferred grant revenue	94,439	45,000
Current portion of municipality funds payable	250,000	250,000
Current portion of long-term debt	14,575	-
Total current liabilities	1,267,522	1,068,647
NONCURRENT LIABILITIES		
Municipal funds payable, net of current portion	650,000	900,000
Long-term debt, net of current portion	746,729	-
Total noncurrent liabilities	1,396,729	900,000
Total liabilities	2,664,251	1,968,647
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	8,325,223	7,858,400
NET POSITION		
Net investment in capital assets	2,998,322	3,089,591
Restricted by donors – expendable	431,023	429,428
Unrestricted	6,708,681	4,397,201
Total net position	10,138,026	7,916,220
Total liabilities, deferred inflows of resources, and net position	\$ 21,127,500	\$ 17,743,267

See accompanying notes.

Telluride Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts of \$400,940 and \$720,792 in 2025 and 2024	\$ 5,667,006	\$ 5,916,276
Other operating revenue	438,081	378,980
Total operating revenues	6,105,087	6,295,256
OPERATING EXPENSES		
Salaries and wages	5,959,606	5,436,709
Employee benefits	1,413,866	1,386,076
Professional and contract services	3,202,593	3,153,485
Supplies	857,359	724,491
Depreciation	412,758	299,905
Information technology	328,061	277,228
Occupancy	315,475	336,510
Other	303,142	192,395
Total operating expenses	12,792,860	11,806,799
OPERATING LOSS	(6,687,773)	(5,511,543)
NONOPERATING REVENUES (EXPENSES)		
Property tax revenue	7,886,856	7,695,831
Noncapital contributions and grants	211,181	964,930
Investment income, net	278,764	293,305
Rental income	96,000	-
Interest expense	(42,171)	-
Community support activities	475,249	620,567
Total nonoperating revenues, net	8,905,879	9,574,633
EXCESS OF REVENUES OVER EXPENSES BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	2,218,106	4,063,090
CAPITAL CONTRIBUTIONS AND GRANTS	3,700	91,000
CHANGE IN NET POSITION	2,221,806	4,154,090
NET POSITION, beginning of year	7,916,220	3,762,130
NET POSITION, end of year	\$ 10,138,026	\$ 7,916,220

See accompanying notes.

Telluride Hospital District
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patient services	\$ 5,902,896	\$ 5,920,454
Payments to and on behalf of employees	(7,328,063)	(6,783,166)
Payments to suppliers and contractors	(5,035,782)	(4,714,811)
Other receipts and payments, net	438,081	378,980
Net cash from operating activities	<u>(6,022,868)</u>	<u>(5,198,543)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property tax revenue	7,886,856	7,695,831
Noncapital contributions and grants	354,520	169,655
Community support activities	475,249	620,567
Municipality funds received	-	200,000
Municipality funds repayments	(250,000)	-
Net cash from noncapital financing activities	<u>8,466,625</u>	<u>8,686,053</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(308,793)	(1,287,902)
Capital contributions and grants	3,700	91,000
Long-term debt principal payments	(12,696)	-
Long-term debt interest payments	(42,171)	-
Net cash from capital financing activities	<u>(359,960)</u>	<u>(1,196,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,433,179)	(4,715)
Proceeds from sale of investments	1,093,685	335,905
Investment income	278,764	293,305
Rental income	96,000	-
Net cash from investing activities	<u>35,270</u>	<u>624,495</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,119,067	2,915,103
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,891,114</u>	<u>1,976,011</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 7,010,181</u></u>	<u><u>\$ 4,891,114</u></u>

See accompanying notes.

Telluride Hospital District
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (6,687,773)	\$ (5,511,543)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	412,758	299,905
Provision for bad debts	400,940	720,792
Changes in assets and liabilities		
Patient receivables	(165,050)	(716,614)
Supplies and prepaid expenses	(118,604)	(80,952)
Accounts payable	89,452	50,250
Accrued compensation and employee benefits	45,409	39,619
	\$ (6,022,868)	\$ (5,198,543)
 SUPPLEMENTAL SCHEDULE OF NONCASH NONCAPITAL FINANCING ACTIVITIES		
Municipality funds recognized as nonoperating revenue	\$ -	\$ 650,000
 SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL FINANCING ACTIVITIES		
Purchase of building through long-term debt financing	\$ 774,000	\$ -

See accompanying notes.

Telluride Hospital District Notes to Financial Statements

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.

Telluride Hospital District Notes to Financial Statements

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, 2025 and 2024.

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 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, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. 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.

Telluride Hospital District Notes to Financial Statements

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to improve the financial reporting requirements for subsequent events. This statement defines subsequent events as events occurring after the financial statement date but before the financial statements are available to be issued. This statement describes the date the financial statements are available to be issued as the point at which they are complete in accordance with generally accepted accounting principles and all required approvals for issuance have been obtained. This statement is effective for the District for the year ended December 31, 2027.

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.

In 2025 and 2024, the District received \$7,886,856 and \$7,695,831, 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.

Telluride Hospital District Notes to Financial Statements

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, 2025 and 2024.

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.

Telluride Hospital District Notes to Financial Statements

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 than 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 \$209,000 and \$160,000 for the years ended December 31, 2025 and 2024, 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 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, 2025 and 2024:

	2025	2024
Other third-party payors and patients	80%	79%
Patient self-pay	5%	7%
Medicare	12%	10%
Medicaid	3%	4%
	100%	100%

Telluride Hospital District Notes to Financial Statements

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 resulted in a net decrease to net patient services revenues of approximately \$175,000 for the year ended December 31, 2025. Changes in estimates for the year ended December 31, 2024, were not significant.

Note 3 – Deposits and Investments

The carrying amounts of deposits and investments as of December 31, 2025 and 2024, are as follows:

	2025	2024
Cash and cash equivalents		
Checking accounts	\$ 6,917,222	\$ 4,797,168
Money market	92,959	93,946
Total cash and cash equivalents	7,010,181	4,891,114
Investments		
Colostrust	17,429	16,691
Exchange-traded funds		
Fixed income	648,984	345,685
Equities	73,702	38,245
Total investments	740,115	400,621
	\$ 7,750,296	\$ 5,291,735

The District's investments are reported at fair value. The District's investments as of December 31, 2025 and 2024, include \$17,429 and \$16,691, respectively, of investments in Colostrust, 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 Colostrust 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, 2025 and 2024:

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 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, 2025 and 2024, the District had approximately \$6,601,000 and \$4,477,000, respectively, in excess of FDIC-insured limits.

Telluride Hospital District Notes to Financial Statements

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 – Includes 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.

Telluride Hospital District Notes to Financial Statements

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, 2025 and 2024:

	2025			Total
	Level 1	Level 2	Level 3	
Investments, at fair value				
Exchange-traded funds				
Fixed income	\$ 648,984	\$ -	\$ -	\$ 648,984
Equities	73,702	-	-	73,702
	\$ 722,686	\$ -	\$ -	722,686
Investments measured at net asset value (NAV)				17,429
Total				\$ 740,115
	2024			Total
	Level 1	Level 2	Level 3	
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)				16,691
Total				\$ 400,621

Investment income – Investment income from these investments consists of the following as of December 31, 2025 and 2024:

	2025	2024
Interest and dividends	\$ 271,574	\$ 278,536
Net realized (losses) gains	(2,336)	15,691
Change in accumulated unrealized gains (losses)	9,526	(922)
Investment income, net	\$ 278,764	\$ 293,305

Telluride Hospital District Notes to Financial Statements

Note 4 – Capital Assets

Capital assets additions, retirements, and balances for the years ended December 31, 2025 and 2024, are as follows:

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
Capital assets not being depreciated					
New facility project	\$ 314,042	\$ 26,316	\$ -	\$ -	\$ 340,358
Employee housing project	155,100	-	-	(155,100)	-
Total capital assets not being depreciated	<u>469,142</u>	<u>26,316</u>	<u>-</u>	<u>(155,100)</u>	<u>340,358</u>
Capital assets being depreciated					
Medical equipment	2,651,390	103,934	(2,307)	-	2,753,017
Building improvements	2,984,285	-	-	-	2,984,285
Administrative equipment	1,135,847	8,846	-	-	1,144,693
Furniture and fixtures	79,060	-	-	-	79,060
Buildings	692,150	943,697	-	155,100	1,790,947
Total capital assets being depreciated	<u>7,542,732</u>	<u>1,056,477</u>	<u>(2,307)</u>	<u>155,100</u>	<u>8,752,002</u>
Less accumulated depreciation					
Medical equipment	2,051,671	189,586	(2,307)	-	2,238,950
Building improvements	1,859,600	112,267	-	-	1,971,867
Administrative equipment	928,158	43,229	-	-	971,387
Furniture and fixtures	74,309	1,345	-	-	75,654
Buildings	8,545	66,331	-	-	74,876
Total accumulated depreciation	<u>4,922,283</u>	<u>412,758</u>	<u>(2,307)</u>	<u>-</u>	<u>5,332,734</u>
Net capital assets being depreciated	<u>2,620,449</u>	<u>643,719</u>	<u>-</u>	<u>155,100</u>	<u>3,419,268</u>
Capital assets, net	<u>\$ 3,089,591</u>	<u>\$ 670,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,759,626</u>

Telluride Hospital District Notes to Financial Statements

	Balance December 31, 2023	Additions	Retirements	Transfers	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

The new facility project represents costs related to the design and construction of a new medical facility. The new facility is in the planning and site selection phase. 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 6). There are no other commitments at December 31, 2025, 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. 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.

Telluride Hospital District Notes to Financial Statements

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 final payment due in 2029.

Future payments of the municipal funds payable are as follows:

	Town of Telluride	San Miguel County	Total
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
	<u>\$ 500,000</u>	<u>\$ 400,000</u>	<u>\$ 900,000</u>

Note 6 – Promissory Note

On January 6, 2025, the District entered into a promissory note agreement with Citizens State Bank in the amount of \$774,000. The promissory note term is for twenty-five years beginning on February 6, 2025, and maturing on January 6, 2050. The promissory notes 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%.

Future payments of the promissory note are as follows:

	Principal	Interest	Total
2026	\$ 14,575	\$ 45,280	\$ 59,855
2027	15,474	44,381	59,855
2028	16,304	43,551	59,855
2029	17,434	42,421	59,855
2030	18,510	41,345	59,855
2031-2035	111,014	188,265	299,279
2036-2040	149,674	149,603	299,277
2041-2045	202,033	97,244	299,277
2046-2050	216,286	28,119	244,405
	<u>\$ 761,304</u>	<u>\$ 680,209</u>	<u>\$ 1,441,513</u>

Telluride Hospital District

Notes to Financial Statements

Note 7 – Retirement 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, 2025 and 2024, the District contributed \$147,646 and \$97,216, respectively, to the Plan.

Note 8 – 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, 2025 and 2024, was as follows:

	2025	2024
Other third-party payors and patients	62%	67%
Patient self-pay	22%	19%
Medicare	12%	9%
Medicaid	4%	5%
	100%	100%

Note 9 – 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.

Telluride Hospital District Notes to Financial Statements

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 10 – 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, 2025.

The combining statement of net position as of December 31, 2025, is presented below:

	District	Foundation	Eliminations	Combined
Assets				
Total current assets	\$ 16,192,165	\$ 1,209,764	\$ (59,735)	\$ 17,342,194
Capital assets, net	2,701,525	1,058,101	-	3,759,626
Other noncurrent assets	-	25,680	-	25,680
Total assets	\$ 18,893,690	\$ 2,293,545	\$ (59,735)	\$ 21,127,500
Liabilities, deferred inflows of resources, and net position				
Current liabilities	\$ 1,250,947	\$ 76,310	\$ (59,735)	\$ 1,267,522
Noncurrent liabilities	650,000	746,729	-	1,396,729
Deferred inflows of resources	8,325,223	-	-	8,325,223
Total liabilities and deferred inflows of resources	10,226,170	823,039	(59,735)	10,989,474
Net position				
Net investment in capital assets	2,701,525	296,797	-	2,998,322
Restricted by donors – expendable	-	431,023	-	431,023
Unrestricted	5,965,995	742,686	-	6,708,681
Total net position	8,667,520	1,470,506	-	10,138,026
Total liabilities, deferred inflows of resources, and net position	\$ 18,893,690	\$ 2,293,545	\$ (59,735)	\$ 21,127,500

Telluride Hospital District Notes to Financial Statements

The combining statement of changes in revenues, expenses, and changes in net position for the year ended December 31, 2025, is presented below:

	<u>District</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenues				
Net patient service revenue	\$ 5,667,006	\$ -	\$ -	\$ 5,667,006
Other revenue	438,081	-	-	438,081
Total operating revenues	<u>6,105,087</u>	<u>-</u>	<u>-</u>	<u>6,105,087</u>
Operating expenses				
Other operating expenses	11,940,072	616,320	(176,290)	12,380,102
Depreciation	372,062	40,696	-	412,758
Total operating expenses	<u>12,312,134</u>	<u>657,016</u>	<u>(176,290)</u>	<u>12,792,860</u>
Operating loss	(6,207,047)	(657,016)	176,290	(6,687,773)
Nonoperating revenues, net	<u>8,435,623</u>	<u>646,546</u>	<u>(176,290)</u>	<u>8,905,879</u>
Excess (deficit) of revenues in excess of expenses before capital contributions and grants	2,228,576	(10,470)	-	2,218,106
Capital contributions and grants	<u>-</u>	<u>3,700</u>	<u>-</u>	<u>3,700</u>
Change in net position	2,228,576	(6,770)	-	2,221,806
Net position, beginning of year	<u>6,438,944</u>	<u>1,477,276</u>	<u>-</u>	<u>7,916,220</u>
Net position, end of year	<u>\$ 8,667,520</u>	<u>\$ 1,470,506</u>	<u>\$ -</u>	<u>\$ 10,138,026</u>

Telluride Hospital District Notes to Financial Statements

The combining statement of cash flows for the year ended December 31, 2025, is presented below:

	<u>District</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash flows from				
Operating activities	\$ (5,445,107)	\$ (577,761)	\$ -	\$ (6,022,868)
Noncapital financing activities	7,740,199	726,426	-	8,466,625
Capital financing activities	(139,096)	(220,864)	-	(359,960)
Investing activities	316,211	(280,941)	-	35,270
	<u>2,472,207</u>	<u>(353,140)</u>	<u>-</u>	<u>2,119,067</u>
Net change in cash and cash equivalents				
Cash and cash equivalents, beginning of year	<u>4,142,121</u>	<u>748,993</u>	<u>-</u>	<u>4,891,114</u>
Cash and cash equivalents, end of year	<u>\$ 6,614,328</u>	<u>\$ 395,853</u>	<u>\$ -</u>	<u>\$ 7,010,181</u>
Supplemental schedule of noncash capital financing activities				
Purchase of building through long-term debt financing	<u>\$ -</u>	<u>\$ 774,000</u>	<u>\$ -</u>	<u>\$ 774,000</u>

Telluride Hospital District Notes to Financial Statements

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:

	<u>District</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 16,265,236</u>	<u>\$ 1,500,452</u>	<u>\$ (22,421)</u>	<u>\$ 17,743,267</u>
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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and deferred inflows of resources	<u>9,826,292</u>	<u>23,176</u>	<u>(22,421)</u>	<u>9,827,047</u>
Net position				
Net investment in capital assets	2,934,491	155,100	-	3,089,591
Restricted by donors – expendable	-	429,428	-	429,428
Unrestricted	3,504,453	892,748	-	4,397,201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net position	<u>6,438,944</u>	<u>1,477,276</u>	<u>-</u>	<u>7,916,220</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,265,236</u>	<u>\$ 1,500,452</u>	<u>\$ (22,421)</u>	<u>\$ 17,743,267</u>

Telluride Hospital District Notes to Financial Statements

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

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

Telluride Hospital District Notes to Financial Statements

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

	<u>District</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
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	<u>169,198</u>	<u>455,297</u>	<u>-</u>	<u>624,495</u>
Net change in cash and cash equivalents	3,295,829	(380,726)	-	2,915,103
Cash and cash equivalents, beginning of year	<u>846,292</u>	<u>1,129,719</u>	<u>-</u>	<u>1,976,011</u>
Cash and cash equivalents, end of year	<u>\$ 4,142,121</u>	<u>\$ 748,993</u>	<u>\$ -</u>	<u>\$ 4,891,114</u>
Supplemental schedule of noncash noncapital financing activities				
Municipality funds recognized as nonoperating revenue	<u>\$ 650,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,000</u>

Note 11 – Subsequent Event

Management has evaluated subsequent events through April 23, 2026, 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, 2025

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net patient service revenue	\$ 5,667,006	\$ 5,327,841	\$ 339,165
Other revenue	438,081	326,400	111,681
	<u>6,105,087</u>	<u>5,654,241</u>	<u>450,846</u>
OPERATING EXPENSES			
Salaries and wages	5,959,606	5,627,827	(331,779)
Employee benefits	1,413,866	1,507,183	93,317
Professional and contract services	3,202,593	2,794,812	(407,781)
Supplies	857,359	1,402,634	545,275
Depreciation	412,758	364,176	(48,582)
Information technology	328,061	200,112	(127,949)
Occupancy	315,475	187,944	(127,531)
Other	303,142	165,765	(137,377)
	<u>12,792,860</u>	<u>12,250,453</u>	<u>(542,407)</u>
Operating loss	(6,687,773)	(6,596,212)	(91,561)
NONOPERATING REVENUE, net	8,905,879	6,491,685	2,414,194
CAPITAL CONTRIBUTIONS AND GRANTS	<u>3,700</u>	<u>-</u>	<u>3,700</u>
CHANGE IN NET POSITION	<u>\$ 2,221,806</u>	<u>\$ (104,527)</u>	<u>\$ 2,326,333</u>

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, 2025, 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 23, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2025-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Baker Tilly US, LLP

Albuquerque, New Mexico
April 23, 2026

**Telluride Hospital District
Schedule of Findings and Responses
December 31, 2025**

2025-001 – Segregation of Duties (Significant Deficiency in Internal Control over Financial Reporting)

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 believes they can implement additional internal controls by June 2026 with the addition of the accountant position to create more segregation of duties to have adequate internal controls.

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