

RANGELY HOSPITAL DISTRICT
d.b.a. RANGELY DISTRICT HOSPITAL

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

August 10, 2020

To the Board of Directors
Rangely Hospital District
d.b.a. Rangely District Hospital
Rangely, Colorado

We have audited the accompanying financial statements of Rangely Hospital District d.b.a. Rangely District Hospital (the Hospital), as of and for the years ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The budget to actual schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budget to actual schedule 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budget to actual schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Grand Junction, Colorado

Management Discussion and Analysis

The Discussion and analysis of the Rangely District Hospital's (the Hospital) financial performance provides readers with an overall review of the financial activities of the Hospital for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Hospital's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Hospital's financial performance.

Financial Highlights

- The Hospital's assets exceeded liabilities and deferred inflows of resources by \$10,146,379 on December 31, 2019.
- The Hospital's total cash increased by \$2,151,934, or 44 percent from the previous year.
- The December 31, 2019 net position balance is \$977,871 more than the previous year.
- In December of 2019, the Hospital began offering behavioral health services in partnership with Senior Life Solutions. In addition to patient revenues, this new department allows the Hospital to allocate more of its square footage for reimbursement on the Medicare Cost Report.

Using this Annual Report

This Annual Report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Hospital as a financial whole. These statements then proceed to provide an increasingly detailed look at our specific financial conditions.

Overview of the Hospital's Financial Statements

Fund Financial Statements

The *Statement of Net Position* presents information on all Hospital assets, liabilities, and deferred inflows of resources. The difference between assets and the sum of liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Hospital is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* represents information showing how net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, e.g., uncollected services charges and earned but unused vacation leave.

The *Statement of Cash Flows* presents information about the Hospital's cash receipts and cash payments during the current year. When used with related disclosures and information in the other financial statements, the information provided in this Statement should help financial report users assess the Hospital's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments, and the effects on the Hospital's financial position of its cash and non-cash investing, capital, and related financing transactions during the year.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 24 of this report.

Budgetary Comparisons

The Hospital adopts an annual appropriated budget for the Hospital Fund. A budgetary comparison statement has been provided for the Hospital fund on page 26 of this report.

Reporting the Hospital as a Whole

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following table provides a summary of the Hospital's net position for 2018 and 2019.

Assets	Business-Type Activities	
	2018	2019
Current and Other Assets	\$ 17,727,646	\$ 20,572,347
Capital Assets*	\$ 22,836,245	\$ 21,345,057
Total Assets	\$ 40,563,891	\$ 41,917,404
Liabilities		
Current and Other Liabilities	\$ 3,537,264	\$ 4,111,196
Long-term liabilities	\$ 22,540,240	\$ 20,125,685
Total Liabilities	\$ 26,077,504	\$ 24,236,881
Deferred Inflows of Resources	\$ 5,032,640	\$ 7,534,144
Net Position		
Net Investment in Capital Assets	\$ (2,101,005)	\$ (1,195,628)
Restricted	\$ 5,497,732	\$ 4,922,523
Unrestricted	\$ 6,057,020	\$ 6,419,484
Total Net Position	\$ 9,453,747	\$ 10,146,379
<i>*Certain reclassifications, totaling \$51,496, were made to items from 2018 amounts to conform to the classifications of 2019 amounts.</i>		

Forming a significant portion of the Hospital's net position, unrestricted funds of \$6,419,484 may be used to meet its ongoing obligations to patrons and creditors.

Restricted funds of \$4,922,523 represent another significant portion of the Hospital's net position. These funds represent resources that are subject to external restrictions on how they may be used. The restrictions are for the endowed scholarship funds (\$43,776) bond reserves (\$4,427,522), and TABOR emergency reserve funds (\$451,225).

The remaining portion of the Hospital’s net position reflects its investment in capital assets. These assets include land, buildings, plant, equipment, and construction in progress. These capital assets are used to provide services to patrons. Consequently, they are not available for future spending.

The following table provides a summary of the Hospital’s changes in net position for 2018 and 2019

Revenues	Business-Type Activities	
	2018	2019
Program Revenues		
Charge for services	\$ 13,643,956	\$ 13,333,295
Capital grants and contributions	\$ 48,099	\$ 175,774
General Revenues		
Property Taxes	\$ 5,113,303	\$ 5,204,967
Investment Earnings*	\$ 113,975	\$ 126,533
Gain on sale of capital asset	\$ -	\$ -
Total Revenues	\$ 18,919,333	\$ 18,840,569
Expenses		
Hospital	\$ 14,410,524	\$ 14,233,040
Administration	\$ 3,001,376	\$ 2,330,962
Interest Expense	\$ 1,435,129	\$ 1,298,696
Scholarship	\$ 500	\$ -
Total Expenses	\$ 18,847,529	\$ 17,862,698
Increase (decrease) in net assets	\$ 71,804	\$ 977,871
<i>*Certain reclassifications, totaling \$738, were made to items from 2018 amounts to conform to the classifications of 2019 amounts.</i>		

The Hospital’s net position increased by \$977,871 in 2019. This is largely attributable to net income, key elements of which are as follows:

There were nearly three times more SNF days in 2019 (369) as forecasted (120) or as in 2018 (134).

A high number of ambulance transfers throughout the year (81 vs 58 budgeted).

Increased home health utilization (1083 visits vs 900 budgeted).

Expenses were cut significantly during the year, particularly salaries (6 percent under budget) and travel (50% under budget).

Financial Analysis of the Hospital’s Fund

Information about the Hospital’s operations begins on page 8. The Fund is accounted for using the accrual basis of accounting.

As of December 31, 2019, the total fund equity balance of the Hospital's proprietary fund was \$10,146,379. Approximately 64 percent of this consists of unrestricted fund equity, which is available as working capital and for current spending in accordance with the purpose of the Hospital. (\$1,195,628) is invested in capital assets, net of related debt. The remainder of the fund equity is reserved to indicate that it is not available for new spending because it is restricted for the following purposes: A \$451,225 Taxpayer Bill of Rights (TABOR) emergency reserve mandated by the state's Constitution; a \$43,776 donor-restricted endowment for scholarships; money reserved for debt service, and excess bond tax revenues collected over related bond expenditures, totaling \$4,427,522.

The Hospital had total revenues of \$18,840,569, which included grants of \$15,281, other revenues of \$160,493, and expenses of \$17,862,698.

Budgetary Highlights

The Hospital's budget is prepared according to Colorado statutes.

	2019 Hospital Fund Budget				
	Original Budget	Amendments	Final Budget	Actual	Variance Over (Under)
Beginning Net Position	\$ 9,785,809	\$ -	\$ 9,785,809	\$ 9,168,508	\$ (617,301)
Revenues	\$ 19,102,224	\$ -	\$ 19,102,224	\$ 18,840,569	\$ (261,655)
Expenditures	\$ 19,302,712	\$ -	\$ 19,302,712	\$ 18,716,579	\$ (586,133)
Ending Net Position	\$ 9,585,321	\$ -	\$ 9,585,321	\$ 9,292,498	\$ (292,823)

Overall revenues were 1.3% percent under budget for the year. However, SNF utilization was very high in the latter half of 2019, and the Hospital received higher Medicare interim payments that were themselves high due to lower utilization in 2018. This led to the Hospital being overpaid, resulting in an estimated cost report settlement liability at December 31, 2019.

Overall expenses were about 3% below budget for the year. Both salaries and benefits (6 percent below budget) and travel (50% below budget) were significant drivers of this. Other expenses were generally under budget, and the only expense category that was over budget was depreciation (3% over).

Capital Asset and Debt Administration

Capital Assets

The Hospital's investment in capital assets for its governmental activities as of December 31, 2019, totaled (\$1,195,628), net of accumulated depreciation and related debt. This investment includes all land, buildings, plant, and equipment. The total increase in investment in capital assets for the current year was \$905,377.

The Hospital uses the straight-line depreciation method under GASB 34 for its capital assets, except for land and work/construction in progress which are not depreciated.

Long-Term Debt

During the year ended December 31, 2019, the Hospital had bonds payable of \$20,125,685. Additional information concerning the Hospital's long-term debt can be found in Note F.

Economic Factors and Other Matters

Other Matters

The Following factors are expected to have a significant effect on the Hospital's financial position and results of operations and were taken into account in developing the 2020 budget:

- Voters approved an increased mill levy that will allow the Hospital to collect an additional 2.5 million in property tax revenues, to meet the operating and capital replacement needs of the Hospital in coming years.

Requests for Information

This financial report is designed to provide a general overview of the Hospital's finances for all those with an interest in the Hospital's finances. Questions concerning any of the information provided, or for additional information, should be addressed to the Hospital at 225 Eagle Crest Drive, Rangely, CO 81648

BASIC FINANCIAL STATEMENTS

Rangely Hospital District
d.b.a. Rangely District Hospital

STATEMENT OF NET POSITION

December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 6,957,068
Investments	51,785
Board designated investments	3,415
Patient accounts receivable, net of contractual and bad debts allowance of \$1,871,987	854,535
Property taxes receivable	3,735,585
Property taxes receivable - debt service	3,798,559
Inventories	586,957
Prepaid expenses and other current assets	113,145
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Total current assets	16,101,049

Noncurrent Cash and Investments

Restricted for debt service	4,427,522
Donor restricted investments	43,776
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Total noncurrent cash and investments	4,471,298

Capital Assets

Capital assets, non-depreciable	515,243
Capital assets, depreciable	20,787,146
Intangible assets, net of accumulated amortization	42,668
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Total capital asset, net of accumulated depreciation	21,345,057

Total assets	<u><u>\$ 41,917,404</u></u>
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The accompanying notes are an integral part of these financial statements.

Liabilities

Current Liabilities

Accounts payable	\$	446,592
Estimated third-party payor settlements		306,460
Accrued expenses		
Salaries and wages		222,645
Employee benefits		480,597
Interest		208,796
Unearned revenues		31,106
Current maturities of long-term debt		<u>2,415,000</u>
	Total current liabilities	4,111,196

Long-term debt, less current maturities		<u>20,125,685</u>
	Total liabilities	<u>24,236,881</u>

Deferred Inflows of Resources

Deferred inflows - property taxes		3,735,585
Deferred inflows - property taxes, debt service		<u>3,798,559</u>
	Total deferred inflows of resources	<u>7,534,144</u>

Net Position

Net investment in capital assets		(1,195,628)
Restricted		
TABOR reserve		451,225
Bond reserves		4,427,522
Scholarship fund		43,776
Unrestricted		<u>6,419,484</u>
	Total net position	<u>10,146,379</u>

Total liabilities, deferred inflows of resources, and net position	\$	<u><u>41,917,404</u></u>
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Rangely Hospital District
d.b.a. Rangely District Hospital

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended December 31, 2019

<u>Operating Revenues</u>		
Net patient service revenue		\$ 13,333,295
Other revenue		160,493
	Total operating revenues	<u>13,493,788</u>
<u>Operating Expenses</u>		
Hospital operations		
Salaries and wages		6,177,639
Employee benefits		1,667,090
Medical Supplies		700,899
Non-medical supplies		225,627
Outside services		1,946,207
Repairs and maintenance		123,014
Utilities		243,879
Other operating expenses		1,142,379
Depreciation		2,006,306
	Total hospital operating expenses	<u>14,233,040</u>
Administration		
Salaries and wages		1,088,964
Employee benefits		54,185
Non-medical supplies		28,324
Outside services		474,552
Utilities		80,553
Other operating expenses		595,556
Depreciation		8,828
	Total administrative operating expenses	<u>2,330,962</u>
	Total operating expenses	<u>16,564,002</u>
Operating Loss		<u>(3,070,214)</u>
<u>Non-operating Revenues (Expenses)</u>		
Property taxes - general		1,405,237
Property taxes - bond		3,799,730
Investment income		126,533
Grants		15,281
Interest expense		(1,298,696)
	Total nonoperating revenues (expenses), net	<u>4,048,085</u>
Change in Net Position		977,871
Beginning Net Position		9,453,747
Change in Accounting Principle		(285,239)
Beginning Net Position, Restated		<u>9,168,508</u>
Ending Net Position		<u>\$ 10,146,379</u>

The accompanying notes are an integral part of these financial statements.

Rangely Hospital District
d.b.a. Rangely District Hospital

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

Cash Flows from Operating Activities	
Cash received from patients and third party payors	\$ 15,297,900
Cash payments for supplies, goods, and services	(5,410,202)
Cash payments for employees	(8,956,839)
Other receipts from operations	160,493
Net Cash Provided by Operating Activities	1,091,352
Cash Flows from Noncapital Financing Activities	
Property taxes	5,204,967
Net Cash Provided by Noncapital Financing Activities	5,204,967
Cash Flows from Capital and Related Financing Activities	
Interest payments	(1,298,696)
Principal payments on long-term debt	(2,345,069)
Grants and contributions	17,303
Purchase of capital assets	(523,947)
Net Cash Used for Capital and Related Financing Activities	(4,150,409)
Cash Flows from Investing Activities	
Purchase of investments	(127,453)
Interest income	126,533
Net Cash Provided Used for Investing Activities	(920)
Net Increase in Cash and Cash Equivalents	2,144,990
Cash and Cash Equivalents, Beginning of Year	4,812,078
Cash and Cash Equivalents, End of Year	\$ 6,957,068
Reconciliation of Operating Income (Loss) to Net Cash Provided	
(Used) by Operating Activities	
Operating income (loss)	\$ (3,070,214)
Depreciation	2,006,306
Amortization	8,828
Bad debts expense	931,987
(Increase) decrease in patient accounts receivable	1,032,618
(Increase) decrease in inventory	8,315
(Increase) decrease in prepaids and other current assets	6,632
Increase (decrease) in accounts payable	190,026
Increase (decrease) in accrued expenses	(23,146)
Cash Provided by Operating Activities	\$ 1,091,352

The accompanying notes are an integral part of these financial statements.

Rangely Hospital District
d.b.a. Rangely District Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Rangely Hospital District doing business as Rangely District Hospital (the Hospital), an acute care facility, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently used in the preparation of the financial statements.

1. Financial Reporting Entity

The Hospital is supported by user fees and tax levies against property located within the District. The Hospital is governed by an elected five member Board of Directors. No additional separate governmental units, agencies, or nonprofit corporations are included in the financial statements of the Hospital as component units. Component units are legally separate entities for which the Hospital is financially accountable. Financially accountable is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Hospital's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on the Hospital.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Hospital are organized and operated on a fund basis. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, net position, revenues and expenses. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are similar to those applicable to businesses in the private sector.

Enterprise funds may be used to account for operations (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of accounting refers to when revenues or 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. Proprietary (enterprise) funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows of resources associated with the operation of a fund are included on the statement of net position. Net position is categorized as invested in capital assets, restricted and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Hospital uses the accrual basis of accounting.

The Hospital distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Hospital are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

3. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by Board designation.

4. Allowance for Uncollectible Receivables

The provision for uncollectible patient accounts is made in amounts approximating anticipated losses. Individual patient accounts are written off against the allowance when collection of the individual account appears doubtful.

5. Supplies Inventory

Inventories of drugs and supplies are stated at the lower of cost or market, determined on a first-in, first-out basis.

6. Use of Estimates

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

7. Property and Equipment

Capital assets are defined by the Hospital as assets with initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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

Property, plant and equipment of the Hospital are depreciated using the straight-line method over the estimated useful lives of the assets, generally in accordance with the guidelines established by the American Hospital Association.

	Estimated Life in Years
Land improvements	10 to 25
Buildings	30 to 40
Clinic buildings	40
Clinic equipment	5 to 10
Equipment and furnishings	5 to 25
Assisted living facility	5 to 25

8. Compensated Absences

It is the Hospital's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be taken after December 31, 2019, or paid upon separation from service. A short-term liability for accrued vacation benefits has been recorded.

9. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period related services are rendered and adjusted in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payers follows:

Medicare

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reported by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost report have been audited by the Medicare fiscal intermediary through December 31, 2017.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

determined after submission of annual cost report by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

The Hospital directors follow these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to the first Board meeting in October, the chief financial officer submits to the Hospital directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain the taxpayers' comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- Formal budgetary integration is employed as a management control device during the year.
- The budget for the Hospital is adopted on a basis, which differs from GAAP in that acquisitions of fixed assets are included as expenditures, and depreciation is excluded from expenses.
- Appropriations lapse at the end of each calendar year.
- The Hospital directors may authorize supplemental appropriations during the year. There were no supplemental appropriations for the year ended December 31, 2019.

NOTE C – CONCENTRATION OF CREDIT RISK

The Hospital grants credit with collateral to its patients, most of which are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 are as follows:

Medicare	11%
Medicaid	2%
Other third-party payors	23%
Self-pay	64%

Rangely Hospital District
d.b.a. Rangely District Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE D – PROPERTY TAXES

Property Taxes

The Hospital receives property and specific ownership taxes to supplement the cost of operations. This property tax is recognized by the Hospital as a receivable and deferred revenue when levied. Property taxes for 2019 collectable in 2020, respectively, were levied by the County Commissioners on December 15, 2019. Property taxes attach as an enforceable lien on January 1, are due in total April 30, or in equal installments February 28 and June 15 at the option of the taxpayer. The County Treasurer remits taxes collected to the District by the 10th day of the month following collection.

Revenue recognized

Local property taxes levied for 2018, which were collected in 2019, are recognized as revenue in these financial statements as shown below:

	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes</u>		<u>Percent Collected</u>
			<u>Levied</u>	<u>Collected</u>	
General	\$ 238,377,100	5.050	\$1,203,805	\$1,203,804	100%
Debt Service	\$ 238,377,100	15.940	\$3,799,730	\$3,799,730	100%

Property Taxes Receivable and Deferred Inflows of Resources

Local property taxes levied in 2019 but not collectable until 2020 are reported as property taxes receivable and deferred inflows of resources.

	<u>Estimated Assessed Valuation</u>	<u>Property Mill Levy</u>	<u>Percent Collectable</u>	<u>Taxes Receivable</u>	<u>Deferred Inflow</u>
General	\$ 286,251,660	13.050	100%	\$3,735,585	\$3,735,585
Debt Service	\$ 286,251,660	13.270	100%	\$3,798,559	\$3,798,559

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d.b.a. Rangely District Hospital

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E – NET POSITION

Net position is available for the following purposes:

Net investment in capital assets	\$	(1,195,628)
Restricted net position		
TABOR emergency reserves		451,225
Bond reserves		4,427,522
Permanently restricted		
Scholarship endowment		43,776
Unrestricted net position		6,419,484
Total	<u>\$</u>	<u>10,146,379</u>

Permanently restricted net position is for a scholarship fund to assist citizens of the Rangely area to acquire training in medically related fields and is restricted as follows:

Investment in perpetuity	\$	39,000
Income available for scholarships		4,776
Total	<u>\$</u>	<u>43,776</u>

NOTE F – CASH AND INVESTMENTS

The carrying amounts of deposits and investments at December 31, 2019 are as follows:

Carrying amount		
Cash on hand	\$	669
Cash with the County Treasurer		12,793
Deposits		6,943,606
Investments		4,526,498
	<u>\$</u>	<u>11,483,566</u>

Cash and investments are reported as follows in the statement of net position:

Cash and cash equivalents	\$	6,957,068
Investments		51,785
Board designated investments		3,415
Donor restricted funds		43,776
Restricted for debt service		4,427,522
	<u>\$</u>	<u>11,483,566</u>

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Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital'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 Hospital. Statutes also require that the market value of the collateral be at least 102% of the excess deposits. The Hospital's deposit policy does not further restrict bank deposits or limit investment deposits.

The Hospital deposits in banks at December 31, 2019 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

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 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. At December 31, 2019, the Hospital's deposits were entirely covered by FDIC and PDPA.

Investments

The Hospital's investments are reported at fair value and net asset value (NAV) per share. The Hospital is authorized by statute to invest funds in obligations of the United States and certain U.S. government agency securities; certain general and revenue obligations of any state of the United States; local government investment pools; certain money market funds; commercial paper; written repurchase and reverse repurchase agreements collateralized by certain authorized securities; certain guaranteed investment contracts, and certain U.S. dollar denominated corporate or bank security.

The Hospital had \$4,526,498 invested in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. At December 31, 2019 the Hospital's investment in COLOTRUST was rated AAAM by Standard & Poor's.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE E – CAPITAL ASSETS

At December 31, capital asset transactions and balances include the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, non-depreciable				
Land	\$ 463,118	\$ -	\$ -	\$ 463,118
Construction in progress	6,750	45,375	-	52,125
Total non-depreciable assets	<u>469,868</u>	<u>45,375</u>	<u>-</u>	<u>515,243</u>
Capital assets, depreciable				
Land improvements	602,458	-	-	602,458
Hospital building	29,239,680	-	-	29,239,680
Hospital equipment	10,370,997	476,879	-	10,847,876
Residence buildings	231,218	-	-	231,218
Residence furnishings	18,869	-	-	18,869
Clinic equipment	71,291	-	-	71,291
Assisted living facility	1,964,969	1,692	-	1,966,661
Total depreciable assets	<u>42,499,482</u>	<u>478,571</u>	<u>-</u>	<u>42,978,053</u>
Less accumulated depreciation				
Land improvements	(330,652)	-	-	(330,652)
Hospital building	(9,274,928)	(1,471,715)	-	(10,746,643)
Hospital equipment	(8,616,396)	(459,791)	-	(9,076,187)
Residence buildings	(178,231)	(5,550)	-	(183,781)
Residence furnishings	(18,869)	-	-	(18,869)
Clinic equipment	(75,309)	(388)	-	(75,697)
Assisted living facility	(1,690,216)	(68,862)	-	(1,759,078)
Total accumulated depreciation	<u>(20,184,601)</u>	<u>(2,006,306)</u>	<u>-</u>	<u>(22,190,907)</u>
Total depreciable assets, net	<u>22,314,881</u>	<u>(1,527,735)</u>	<u>-</u>	<u>20,787,146</u>
Total net capital assets	<u>\$ 22,784,749</u>	<u>\$ (1,482,360)</u>	<u>\$ -</u>	<u>\$ 21,302,389</u>

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
Intangible assets				
Medical Records	\$ 51,496	\$ -	\$ 8,828	\$ 42,668

NOTE F – LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2011 General Obligation Bonds	\$ 24,575,000	\$ -	\$ 2,305,000	\$ 22,270,000	\$ 2,415,000
Premium on Bonds	310,754	-	40,069	270,685	40,515
Total	\$ 24,885,754	\$ -	\$ 2,345,069	\$ 22,540,685	\$ 2,455,515

General Obligation Bonds

On August 22, 2011, the Rangely District Hospital issued “General Obligation Bonds, Series 2011” in the aggregate principal amount of \$35,200,000, for the purpose of constructing, furnishing and equipping a new hospital building and refunding the outstanding Hospital Revenue Bonds, Series 2000. The bonds have interest rates ranging from 3% to 6% and are due in semi-annual payments commencing November 1, 2011. Principal payments are due annually commencing on November 1, 2013. The bonds are secured by property tax revenue collectable under the Hospital’s mill levy.

The Bond Resolution establishes the “Rangely Hospital District General Obligation Bonds, Series 2011, Reserve Fund” (the Reserve Fund) as additional security for the Series 2011 Bonds. The reserve fund is included with restricted investments in the financial statements.

Maturities on the bonds are as follows:

Year	Principal	Interest	Total
2020	\$ 2,415,000	\$ 1,252,775	\$ 3,667,775
2021	2,480,000	1,144,100	3,624,100
2022	2,625,000	1,032,500	3,657,500
2023	2,770,000	885,000	3,655,000
2024	2,950,000	718,800	3,668,800
2025-2026	9,030,000	903,600	9,933,600
Total	\$ 22,270,000	\$ 5,936,775	\$ 28,206,775

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NOTE G – DEFINED CONTRIBUTION PLAN

The Hospital provides pension benefits for all of its full-time and part-time employees through a defined contribution plan, which is administered by American United Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The plan encompasses all employees. Under this plan the employees are eligible to participate after one year of service that involves over 1,000 hours and must continue to work a minimum of 1,000 hours per year to remain eligible for the plan. The Hospital is required to contribute 4% of the employee's wages for all eligible employees and will match 100% of any employee contribution up to 4%. Employee contributions are 100% vested. The Hospital's contributions vest at a rate of 20% for each year of service after the first year of service. The Hospital contributions for each employee are fully vested after five years. The Hospital's total payroll in 2019 was \$6,722,990 and the Hospital's contribution was calculated using the base salary of \$4,973,177. Total employer contributions for the year ended December 31, 2019 were \$171,759, and total employee contributions were \$280,610.

NOTE H – TABOR

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitation which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The amendment also requires that reserves be established for declared emergencies, with 3% of fiscal year spending required in 1996 and thereafter.

The Hospital has not authorized nor issued debt subject to the amendment's limitations. Based on fiscal year spending for 2019, \$451,225 of the fund balance in the Hospital fund has been reserved for emergencies. In 1996, a ballot issue was proposed to and passed by the eligible voters in Rio Blanco County which allowed the Rangely District Hospital to retain revenues collected in excess of the Hospital's spending limit for the year ended December 31, 1996. In addition, the Hospital was authorized to collect, retain, and spend all revenues and other funds collected from any source effective January 1, 1996, and continuing thereafter.

The Hospital's management believes it is in compliance with the provision of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

NOTE I – CONTINGENCIES

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; employee injuries and illnesses; natural disasters; and

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employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for any of the three preceding years.

Malpractice Insurance

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. The limits of the malpractice insurance carry an individual incident limit of \$1 million and an annual aggregate limit of \$3 million.

Litigation, Claims, and Disputes

The Hospital 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 Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulation, specifically those relating to the Medicare and Medicaid program, can be subject to the government's 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 provider 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 and resident services.

NOTE J – CHANGE IN ACCOUNTING PRINCIPLE

Through December 31, 2018, the hospital had capitalized the bond issuance costs associated with the 2011 general obligation bonds and was amortizing the costs over the life of the bonds. In 2012 GASB 65 was issued which requires that bond issuance costs be expensed at the time of bond issuance. GASB 65 was to be implemented retroactively with an adjustment to net position for a change in accounting principle. The result of this adjustment for the year ended December 31, 2019 is a decrease in assets and net position of \$285,239.

NOTE K – SUBSEQUENT EVENTS

On March 13, 2020, an emergency was declared for the COVID-19 pandemic. The State of Colorado subsequently declared a statewide emergency and enacted shutdown orders for significant portions of the economy beginning March 15, 2020. At the time of the issuance of these financial statements, the full economic impact of the events surrounding the pandemic are unknown, but are expected to be significant.

In April of 2020, the Hospital was hit by a ransomware attack. While no patient data was stolen and expenses were covered by insurance, its Home Health department lost access to its records, including financial information. Additionally, the Hospital's legacy EMR system was lost, leading to a write-off of

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its legacy accounts receivable in the amount of \$448,719, and notification letters sent to affected patients. Subsequent to the write-offs of accounts receivable, Meditech offered to help restore the Meditech EMR system from backup data at a cost of \$25,000, which will be covered by insurance.

SUPPLEMENTAL INFORMATION

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BUDGETARY COMPARISON SCHEDULE

For the year ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
Net patient service revenue	\$ 13,925,990	\$ 13,925,990	\$ 13,333,295	\$ (592,695)
Other revenue and grants	52,700	52,700	302,307	249,607
Non-operating revenues	5,123,534	5,123,534	5,204,967	81,433
Total Revenues	19,102,224	19,102,224	18,840,569	(261,655)
Expenditures				
Operating expenditures	15,141,887	15,141,887	14,548,868	(593,019)
Principal payments on debt	2,305,000	2,305,000	2,345,069	40,069
Interest payments on debt	1,454,825	1,454,825	1,298,696	(156,129)
Capital expenditures	400,000	400,000	523,946	123,946
Scholarship distributions	1,000	1,000	-	(1,000)
Total Expenditures	19,302,712	19,302,712	18,716,579	(586,133)
Change in Net Position, Budgetary Basis	<u>\$ (200,488)</u>	<u>\$ (200,488)</u>	123,990	<u>\$ 324,478</u>
			Principal payments	2,345,069
			Depreciation and amortization expense	(2,015,134)
			Capital expenditures	523,946
			Change in Net Position, GAAP Basis	<u>\$ 977,871</u>