

**Eastern Rio Blanco County
Health Service District
doing business as
Pioneers Medical Center**

Basic Financial Statements and
Independent Auditors' Report

December 31, 2020 and 2019



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Table of Contents**

	Page
<i>INDEPENDENT AUDITORS' REPORT</i>	1-2
<i>BASIC FINANCIAL STATEMENTS:</i>	
Statements of net position	3-4
Statements of revenues, expenses, and changes in net position	5
Statements of cash flows	6-7
Notes to basic financial statements	8-22
<i>SUPPLEMENTAL INFORMATION:</i>	
Schedule of budget and actual revenues and expenses	23



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Meeker, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Rio Blanco County Health Service District doing business as Pioneers Medical Center (the District) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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 auditors' 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 auditors consider 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 District as of December 31, 2020 and 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the healthcare industry. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 16. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of budget and actual revenues and expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
June 9, 2021

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Net Position
December 31, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
<i>Current assets</i>		
Cash and cash equivalents	\$ 11,725,721	\$ 9,909,473
Investments	10,757,953	2,088,810
Receivables:		
Patient accounts	3,236,242	2,050,229
Property tax levy	3,840,753	4,255,117
Estimated third-party payor settlements	2,335,061	515,592
340B contract pharmacy	190,828	251,906
Other	1,479	14,626
Inventories	788,271	671,073
Prepaid expenses	320,678	442,212
Total current assets	33,196,986	20,199,038
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for debt service reserve	8,140,760	5,040,190
Cash and cash equivalents restricted for construction	-	8,160,379
Investment in Western Healthcare Alliance	164,476	161,757
Capital assets, net	44,625,434	37,187,328
Total noncurrent assets	52,930,670	50,549,654
Total assets	86,127,656	70,748,692
<i>Deferred outflows of resources, deferred charge on debt refunding</i>	833,822	939,147
Total assets and deferred outflows of resources	\$ 86,961,478	\$ 71,687,839

See accompanying notes to basic financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Net Position (Continued)
December 31, 2020 and 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
<i>Current liabilities</i>		
Accounts payable	\$ 1,272,818	\$ 456,826
Capital accounts payable	720,775	-
Accrued compensation and related liabilities	1,630,467	811,135
Current maturities of long-term debt	1,708,371	1,204,451
Current portion of capital lease obligations	209,380	-
Unearned CARES Act Provider Relief Fund	4,109,581	-
Medicare accelerated payments payable	5,013,625	-
Total current liabilities	14,665,017	2,472,412
<i>Noncurrent liabilities</i>		
Long-term debt, less current maturities	33,686,666	33,307,199
Capital lease obligations, less current maturities	756,783	-
Total noncurrent liabilities	34,443,449	33,307,199
Total liabilities	49,108,466	35,779,611
<i>Deferred inflows of resources, tax revenue</i>	3,840,753	4,255,117
<i>Net position</i>		
Net investment in capital assets	7,543,459	10,836,057
Restricted by creditor	8,140,760	5,040,190
Unrestricted	18,328,040	15,776,864
Total net position	34,012,259	31,653,111
Total liabilities, deferred inflows of resources, and net position	\$ 86,961,478	\$ 71,687,839

See accompanying notes to basic financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Operating revenues</i>		
Net patient service revenue	\$ 31,391,725	\$ 23,478,109
Grants	82,668	74,642
Other revenue	202,741	367,285
Total operating revenues	31,677,134	23,920,036
<i>Operating expenses</i>		
Salaries and wages	11,232,009	9,081,865
Employee benefits	5,290,068	3,473,400
Professional fees and other purchased services	5,941,035	4,952,485
Supplies	4,323,772	2,449,201
Utilities	521,382	520,577
Depreciation and amortization	4,574,733	3,932,266
Insurance	132,890	116,681
Leases and rentals	33,102	20,308
Repairs and maintenance	918,036	612,849
Provider fees	327,580	311,143
Other	1,047,262	638,751
Total operating expenses	34,341,869	26,109,526
<i>Operating loss</i>	(2,664,735)	(2,189,490)
<i>Nonoperating revenues (expenses)</i>		
CARES Act Provider Relief Fund	364,455	-
COVID-19 grants	355,452	-
Property taxes	4,231,178	4,447,588
Contributions	-	6,052
Gain on disposal of assets	-	144,246
Tax collection expense	(204,796)	(213,127)
Investment income	40,615	198,626
Interest expense	(1,439,092)	(1,402,208)
Total nonoperating revenues, net	3,347,812	3,181,177
Excess of revenues over expenses before capital grants and contributions and gain on forgiveness of Paycheck Protection Program loan	683,077	991,687
Gain on forgiveness of Paycheck Protection Program loan	1,668,071	-
Capital grants and contributions	8,000	108,856
Change in net position	2,359,148	1,100,543
Net position, beginning of year	31,653,111	30,552,568
Net position, end of year	\$ 34,012,259	\$ 31,653,111

See accompanying notes to basic financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 28,447,321	\$ 24,792,001
Grants	82,668	74,642
Other receipts	215,888	429,936
Payments to and on behalf of employees	(15,702,745)	(12,493,527)
Payments to suppliers and contractors	(12,424,731)	(10,701,060)
Net cash provided by operating activities	618,401	2,101,992
<i>Cash flows from noncapital financing activities</i>		
Proceeds from CARES Act Provider Relief Fund	4,474,036	-
Proceeds from COVID-19 grants	355,452	-
Proceeds from Medicare accelerated payments	5,013,625	-
Proceeds from Paycheck Protection Program loan	1,668,071	-
Property taxes	4,231,178	4,447,588
Payments for tax collection	(204,796)	(213,127)
Contributions received	-	6,052
Net cash provided by noncapital financing activities	15,537,566	4,240,513
<i>Cash flows from capital and related financing activities</i>		
Principal payments on long-term debt	(1,466,613)	(25,868,359)
Proceeds from issuance of debt	2,350,000	35,000,000
Principal payments on capital leases	(46,357)	-
Purchase of capital assets	(10,279,544)	(3,473,637)
Interest paid on long-term debt	(1,333,767)	(1,402,208)
Capital grants and contributions	8,000	108,856
Prepayment penalty on long-term debt refinancing	-	(939,147)
Proceeds from sale of capital assets	-	144,246
Net cash provided by (used in) capital and related financing activities	(10,768,281)	3,569,751
<i>Cash flows from investing activities</i>		
Purchase of investments	(14,972,156)	(842,420)
Sale of investments	6,303,013	4,618,699
Investment income	6,324	177,560
Distributions from Western Healthcare Alliance	31,572	5,333
Net cash provided by (used in) investing activities	(8,631,247)	3,959,172
Net increase (decrease) in cash and cash equivalents	(3,243,561)	13,871,428
Cash and cash equivalents, beginning of year	23,110,042	9,238,614
Cash and cash equivalents, end of year	\$ 19,866,481	\$ 23,110,042

See accompanying notes to basic financial statements.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 11,725,721	\$ 9,909,473
Cash and cash equivalents restricted for debt service reserve	8,140,760	5,040,190
Cash and cash equivalents restricted for construction	-	8,160,379
Total cash and cash equivalents	\$ 19,866,481	\$ 23,110,042
<i>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</i>		
Operating loss	\$ (2,664,735)	\$ (2,189,490)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities</i>		
Depreciation and amortization	4,574,733	3,932,266
Provision for bad debts	1,530,601	882,299
(Increase) decrease in assets:		
Receivables:		
Patient accounts	(2,716,614)	554,372
Estimated third-party payor settlements	(1,819,469)	(96,592)
340B contract pharmacy	61,078	(26,187)
Other	13,147	62,651
Inventories	(117,198)	(228,038)
Prepaid expenses	121,534	(223,109)
Increase (decrease) in liabilities:		
Accounts payable	815,992	(627,918)
Accrued compensation and related liabilities	819,332	61,738
Net cash provided by operating activities	\$ 618,401	\$ 2,101,992

See accompanying notes to basic financial statements.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements
Years Ended December 31, 2020 and 2019**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Eastern Rio Blanco County Health Service District doing business as Pioneers Medical Center (the District) is an independent governmental entity organized under provisions of the Colorado Revised Statutes. It operates within eastern Rio Blanco County (the County) but is not part of the County government. As organized, the District is exempt from paying federal income tax. The Board of Directors consists of seven elected residents of the County.

The District operates a licensed 16-bed hospital, 30-bed skilled nursing facility, rural health clinic, and a home health agency in Meeker, Colorado. The services provided include medical-surgical, pediatrics, surgery, emergency room, clinic, long-term care, and the related ancillary services (laboratory, imaging, cardiology, physical therapy, respiratory therapy, etc.).

b. Summary of Significant Accounting Policies

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Enterprise fund accounting – The District’s accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the District.

Capital assets – The District capitalizes assets whose costs exceed \$5,000 and have an estimated useful life of at least three years. Major expenses for capital assets, including repairs that increase the useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses as incurred. Capital assets are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and computed using the straight-line method.

Useful lives are estimated as follows:

Land improvements	10 to 15 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Accrued compensated absences – Employees earn paid time off (PTO) on regular hours actually worked at varying rates depending on years of service. The percentage of PTO accrued ranges from 10 percent to 16 percent of the regular hours worked. Employees may accrue a maximum of 400 hours of PTO. Amounts in excess of 200 hours may be redeemed for up to 40 hours. All PTO is accrued and expensed when earned.

Net position – The net position of the District is classified into three components. *Net investment in capital assets* consists of the District’s capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisitions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services other than financing costs.

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

Grants and contributions – From time to time, the District receives federal, state, and county grants, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) 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. Grants that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Contributions, except for capital contributions, are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Upcoming accounting standard pronouncements – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

Subsequent events – Subsequent events have been reviewed through June 9, 2021, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Deposits:

Under Colorado State statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts in the event that the bank holding the public deposits becomes insolvent. As defined by the PDPA, deposit accounts include checking, savings, bank money market, and certificates of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

The District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation or by deposits collateralized by securities not held in the District's name under the PDPA.

Investments:

Colorado State statutes authorize the District to invest in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, repurchase agreements, money market funds, and local government investment pools with a maturity date of no more than five years from the date of purchase.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

2. Bank Deposits and Investments (continued):

Investments (continued):

Custodial credit risk – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of the deposits or investments that are in the possession of an outside party. The District’s investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for investments.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has a policy specifically requiring or limiting investments of this type.

Concentration of credit risk – Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District has a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment’s fair value. The District has a policy specifically managing its exposure to fair value losses arising from changing interest rates.

The District’s investments consisted of:

2020								S&P Ratings
	Fair Value	No Maturity	Investment Maturities in Years					
			Less than 1	1 to 5	Over 5			
Certificates of deposit	\$ 10,732,273	\$ -	\$ 10,732,273	\$ -	\$ -		Not applicable	
Air Ambulance	25,680	25,680	-	-	-		Not applicable	
	\$ 10,757,953	\$ 25,680	\$ 10,732,273	\$ -	\$ -			

2019								Investment Ratings
	Fair Value	No Maturity	Investment Maturities in Years					
			Less than 1	1 to 5	Over 5			
Money market funds	\$ 44,353	\$ 44,353	\$ -	\$ -	\$ -		Not applicable	
Fannie Mae bonds	998,777	-	998,777	-	-		AA+	
Real assets - mineral rights	220,000	220,000	-	-	-		Not applicable	
Certificates of deposit	800,000	-	800,000	-	-		Not applicable	
Air Ambulance	25,680	25,680	-	-	-		Not applicable	
	\$ 2,088,810	\$ 290,033	\$ 1,798,777	\$ -	\$ -			

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

2. Bank Deposits and Investments (continued):

Investments (continued):

Fair value measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of December 31, 2020 and 2019:

- Money market funds are valued using quoted market prices (Level 1).
- Bonds and certificates of deposit are valued using observable inputs from similar investments (Level 2).
- Real assets and investments in mineral rights are valued using discounted estimated future cash flows (Level 3).

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted, is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

3. Patient Accounts Receivable (continued):

Patient accounts receivable reported as current assets consisted of these amounts:

	2020	2019
Receivable from patients and their insurance carriers	\$ 2,510,475	\$ 1,618,123
Receivable from Medicare	1,039,592	1,139,800
Receivable from Medicaid	188,453	186,318
Total patient accounts receivable	3,738,520	2,944,241
Less allowance for uncollectible accounts	502,278	894,012
Patient accounts receivable, net	\$ 3,236,242	\$ 2,050,229

4. Capital Assets:

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 303,490	\$ -	\$ -	\$ -	\$ 303,490
Construction in progress	1,965,904	8,625,683	-	(8,491,902)	2,099,685
Total capital assets not being depreciated	2,269,394	8,625,683	-	(8,491,902)	2,403,175
<i>Capital assets being depreciated</i>					
Land improvements	8,843,732	107,279	-	590,758	9,541,769
Building and improvements	21,827,404	876,704	-	3,338,599	26,042,707
Equipment	26,100,524	2,403,173	-	4,562,545	33,066,242
Total capital assets being depreciated	56,771,660	3,387,156	-	8,491,902	68,650,718
<i>Less accumulated depreciation for</i>					
Land improvements	(3,304,100)	(758,328)	-	-	(4,062,428)
Building and improvements	(6,649,293)	(1,612,428)	-	-	(8,261,721)
Equipment	(11,900,333)	(2,203,977)	-	-	(14,104,310)
Total accumulated depreciation	(21,853,726)	(4,574,733)	-	-	(26,428,459)
Total capital assets being depreciated, net	34,917,934	(1,187,577)	-	8,491,902	42,222,259
Capital assets, net of accumulated depreciation	\$ 37,187,328	\$ 7,438,106	\$ -	\$ -	\$ 44,625,434

Construction in progress at December 31, 2020, consisted of the costs for the expansion of the MRI room, sleep lab, and retail pharmacy. The expansion to the MRI room and sleep lab were placed into service shortly after year end with an additional cost of approximately \$144,000. The retail pharmacy expansion is expected to cost approximately \$2,100,000 and is expected to be completed in 2022-2023 and will be paid for with cash reserves.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

4. Capital Assets (continued):

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 303,490	\$ -	\$ -	\$ -	\$ 303,490
Construction in progress	89,802	1,965,904	-	(89,802)	1,965,904
Total capital assets not being depreciated	393,292	1,965,904	-	(89,802)	2,269,394
<i>Capital assets being depreciated</i>					
Land improvements	8,843,732	-	-	-	8,843,732
Building and improvements	21,827,404	-	-	-	21,827,404
Equipment	24,502,989	1,507,733	-	89,802	26,100,524
Total capital assets being depreciated	55,174,125	1,507,733	-	89,802	56,771,660
<i>Less accumulated depreciation for</i>					
Land improvements	(2,285,298)	(1,018,802)	-	-	(3,304,100)
Building and improvements	(5,835,169)	(814,124)	-	-	(6,649,293)
Equipment	(9,800,993)	(2,099,340)	-	-	(11,900,333)
Total accumulated depreciation	(17,921,460)	(3,932,266)	-	-	(21,853,726)
<i>Total capital assets being depreciated, net</i>	37,252,665	(2,424,533)	-	89,802	34,917,934
Capital assets, net of accumulated depreciation	\$ 37,645,957	\$ (458,629)	\$ -	\$ -	\$ 37,187,328

5. Medical Self-insurance Plan:

In January 2020, the District began self-insuring the cost of employee healthcare benefits. The District self-insures the first \$50,000 in claims per eligible participant. The District also purchases annual stop-loss insurance coverage for all claims in excess of \$50,000 per participant. Accrued compensation and related liabilities on the statements of net position include an accrual for claims that have been incurred but not reported. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in the District's claim liability amounts were as follows at December 31, 2020:

Claim liability, beginning of year	\$ -
Current year claims and changes in estimates	3,575,154
Claims payments	(3,222,658)
Claim liability, end of year	\$ 352,496

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

6. Long-term Debt and Capital Lease Obligations:

A schedule of changes in the District's long-term debt and capital lease obligations is as follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
<i>Long-term debt</i>					
2019 lease agreement	\$ 34,511,650	\$ -	\$ (1,204,451)	\$ 33,307,199	\$ 1,251,649
2020 MRI lease agreement	-	2,350,000	(262,162)	2,087,838	456,722
Total long-term debt	34,511,650	2,350,000	(1,466,613)	35,395,037	1,708,371
<i>Capital lease obligations</i>					
	-	1,012,520	(46,357)	966,163	209,380
Total long-term debt and capital lease obligations	\$ 34,511,650	\$ 3,362,520	\$ (1,512,970)	\$ 36,361,200	\$ 1,917,751

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
<i>Long-term debt, 2019 lease agreement</i>	\$ 25,380,009	\$ 35,000,000	\$ (25,868,359)	\$ 34,511,650	\$ 1,204,451

The terms of the District's long-term debt follow:

- The 2019 Lease Agreement, in the original amount of \$35,000,000 from Bank of San Juans and Hilltop National Bank under a lease agreement with Zions Bank used for the refunding of the 2013 Lease Agreement and the expansion of the operation room, rural health clinic, and acute wing. Monthly installments of \$155,507, including interest at 3.85 percent, are due through August 2039. The lease agreement is collateralized by substantially all of the District's assets.
- The 2020 MRI Lease Agreement, in the original amount of \$2,350,000 from Bank of San Juans under a lease agreement with Zions Bank, used to fund the expansion of the MRI suite. Monthly installments of \$41,191, including interest at 2 percent, are due through April 2024.

The terms of the District's capital lease obligations follow:

- Capital lease obligation payable to Key Government Finance, Inc., in the original amount of \$875,000, due in monthly installments of \$14,583 through October 2025. The capital lease obligation is collateralized by the MRI machine. The MRI machine has a capitalized cost of \$875,000 and had an accumulated depreciation of \$43,750 as of December 31, 2020.
- Capital lease obligation payable to Smith & Nephew Capital, in the original amount of \$137,520, due in quarterly installments of \$8,595, through April 2024. The capital lease obligation is collateralized by the surgical instruments. The surgical instruments have a capitalized cost of \$137,520 and had an accumulated depreciation of \$3,274 as of December 31, 2020.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

6. Long-term Debt and Capital Lease Obligations (continued):

Scheduled principal and interest repayments on the long-term debt and capital leases are as follows:

Years Ending December 31,	Long-term Debt Obligations		
	Principal	Interest	Total
2021	\$ 1,708,371	\$ 1,297,964	\$ 3,006,335
2022	1,766,628	1,239,707	3,006,335
2023	1,827,002	1,179,333	3,006,335
2024	1,889,553	1,116,782	3,006,335
2025	1,664,610	1,053,388	2,717,998
2026 - 2030	8,202,555	4,357,662	12,560,217
2031 - 2035	12,168,553	2,903,707	15,072,260
2036 - 2039	6,167,765	321,682	6,489,447
	\$ 35,395,037	\$ 13,470,225	\$ 48,865,262

Years Ending December 31,	Capital Lease Obligations		
	Principal	Interest	Total
2021	\$ 209,380	\$ -	\$ 209,380
2022	209,380	-	209,380
2023	209,380	-	209,380
2024	192,190	-	192,190
2025	145,833	-	145,833
	\$ 966,163	\$ -	\$ 966,163

7. Paycheck Protection Program Note Payable:

In April 2020, the District was granted a loan from Bank of the San Juans, Division of Glacier Bank, in the aggregate amount of \$1,668,071, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The District applied for PPP loan forgiveness in October 2020 and forgiveness was approved. The loan forgiveness is recorded as a gain on forgiveness of the PPP loan in the statements of revenues, expenses, and changes in net position.

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provision for bad debts and writeoffs has increased from the prior year due to the COVID-19 pandemic causing hardships on self-pay patients' ability to pay. The District has not changed its charity care or uninsured discount policies during fiscal years 2020 or 2019. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2020	2019
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 11,908,388	\$ 8,736,021
Medicaid	3,683,433	2,180,796
Other third-party payors	14,891,338	11,582,343
Patients	1,253,759	710,706
340B contract pharmacy	218,844	368,671
Supplemental payments	1,007,043	862,472
	32,962,805	24,441,009
Less:		
Charity care	40,479	80,601
Provision for bad debts	1,530,601	882,299
Net patient service revenue	\$ 31,391,725	\$ 23,478,109

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* – The District has been designated a critical access hospital and the clinic a rural health clinic by Medicare. The District is paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

8. Net Patient Service Revenue (continued):

- *Medicaid* – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are paid based on prospectively determined rates. Skilled nursing services are paid on prospectively determined rates per day. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid. Physician services are reimbursed on a fee schedule.

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

Laws and regulations governing the Medicare and Medicaid 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. Net patient service revenue increased by approximately \$13,000 and decreased by approximately \$11,000 in the years ended December 31, 2020 and 2019, respectively, due to differences between original estimates and final settlements.

During the year ended December 31, 2017, the District received notice that its Medicaid rural health clinic rates were being updated to the higher of the prospectively determined rate or the cost per encounter, as determined by the District's annual Medicare cost reports. Rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing. As a result, Medicaid claims from 2016 through 2019 are being reprocessed, resulting in estimated additional reimbursement of approximately \$276,000. For the year ended December 31, 2020, the District has estimated a receivable of approximately \$46,000 for the rate reconciliation.

Under the Colorado Health Care Affordability Act (the Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under this Act.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2020 and 2019, were approximately \$32,000 and \$66,000, respectively. The District did not receive any gifts or grants to subsidize charity services during 2020 and 2019.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

9. CARES Act Provider Relief Fund:

The District received \$4,474,036 of funding from the CARES Act Provider Relief Fund. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the year ended December 31, 2020, the District recognized \$364,455 of grant revenue from these funds. The District had \$4,109,581 remaining funds as of December 31, 2020, to use for healthcare-related expenses or lost revenues that are attributable to coronavirus in the next fiscal year.

10. Property Taxes:

The Rio Blanco County Treasurer acts as an agent to assess and collect property taxes levied in the County for all taxing authorities. Property taxes are levied and assessed in December on property values assessed as of January 1 of the prior year.

Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. The assessed property is subject to lien on the levy date. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. No allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2020 and 2019, for taxes levied for 2021 and 2020, respectively.

For 2020, the District's regular tax levy was \$7.280 per \$1,000 on a total assessed valuation of \$527,575,940, for a total regular levy of \$3,840,753. For 2019, the District's regular tax levy was \$7.280 per \$1,000 on a total assessed valuation of \$584,494,160, for a total regular levy of \$4,255,117.

The District paid \$204,796 and \$213,127 in 2020 and 2019, respectively, to the Rio Blanco County Treasurer for assessment and collection of the tax levy.

11. Defined Contribution Plans:

The District sponsors a 401(a) defined contribution plan. The Eastern Rio Blanco County Health Service District 401(a) Plan (the 401(a) Plan) is mandatory for all eligible employees. Additionally, a 457 deferred compensation plan (the 457 Plan) is voluntary for all eligible participants who may defer a percentage of their compensation up to certain limits specified by the Internal Revenue Code. Participants are fully vested in their salary deferrals to the 457 Plan.

Under the 401(a) Plan, employees are required to contribute 6 percent of their gross income, which the District matches 100 percent. The participants are eligible for the employer matching contributions immediately if they work a minimum of 24 hours per week and are either part-time or full-time status. The matching contributions are allocated to the participants' accounts in the Colorado County Officials & Employees Retirement Association (CCOERA). Participants are vested depending on the years of service, ranging from zero percent for the first year to fully vested in the sixth year.

CCOERA administers both the 457 Plan and the 401(a) Plan.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

11. Defined Contribution Plans (continued):

Participant contributions to the 457 Plan during the years ended December 31, 2020 and 2019, were approximately \$138,000 and \$139,000, respectively. Participant contributions to the 401(a) Plan during the years ended December 31, 2020 and 2019, were approximately \$617,000 and \$502,000, respectively. The District made matching contributions to the 401(a) Plan of approximately \$585,000 and \$442,000 during the years ended December 31, 2020 and 2019, respectively.

Forfeitures of approximately \$52,000 and \$60,000 during the years ended December 31, 2020 and 2019, respectively, were used to reduce the District's contributions.

Benefit terms including contribution requirements are established and may be amended by the District. When a participant leaves employment prior to being fully vested, forfeitures are utilized against future employer contributions.

The District made all required funding payments during the year.

12. Commitment:

The District renewed a management contract with Quorum Health Resources, LLC (QHR) on May 30, 2017, for the management, administration, and operations of the District. The agreement calls for the District to pay QHR an annual base fee, with provision for annual increases based on the changes in the Consumer Price Index and pass-through salaries and benefit costs for management. The term of the agreement extends through December 31, 2023. Total payments to QHR during 2020 and 2019 were approximately \$307,000 and \$315,000, respectively. The District's future commitment to QHR for management fees is approximately \$1,014,000.

13. Risk Management and Contingencies:

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

Medical malpractice claims – The District has professional liability insurance with COPIC Insurance Company (COPIC). The policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies, as well as past incidents that are reported during the current term. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has no deductible.

The District also purchases excess malpractice liability insurance through COPIC. COPIC provides protection on an "excess" basis whereby claims reported to the insurance carrier are only covered in excess of primary malpractice liability coverage. The COPIC excess liability limit is \$5,000,000 per claim with an annual aggregate limit of \$5,000,000. The policy has a \$10,000 deductible per claim.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

13. Risk Management and Contingencies (continued):

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Taxpayer’s Bill of Rights – Colorado voters passed an amendment to the state constitution, Article X, Section 20, known as the *Taxpayer’s Bill of Rights*. This amendment has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

14. Concentration Risks:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2020	2019
Medicare	38 %	37 %
Medicaid	8	8
Other third-party payors	46	42
Patients	8	13
	100 %	100 %

Physicians – The District is dependent on local physicians and mid-level providers practicing in its service area to provide admission and utilize hospital services on an outpatient basis. A decrease in the number of providers or changes in their utilization patterns may have an adverse effect on hospital operations.

15. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by \$4,522,480 and \$434,626 in 2020 and 2019, respectively.

**Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

16. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Beginning in March 2020, the District began experiencing significant declines in revenues due to the state of Colorado temporarily suspending all elective surgeries and other elective procedures. In addition, the District has experienced declines in volumes of outpatient and ancillary services, such as radiology, laboratory, rehabilitation, respiratory, pulmonary, and clinic visits.

The District received government grants as described in Note 9 above, as part of the federal government's response to the pandemic.

Medicare sequestration has been suspended from May 1, 2020 through December 31, 2021, which will increase Medicare reimbursement by 2 percent.

The District also entered into the PPP loan described in Note 7 above, also a part of the federal government's response to the pandemic.

The District also received Medicare accelerated payments of \$5,013,625 in April 2020. The Medicare accelerated payments will begin to be repaid within one year of issuance.

In addition to accepting funding from the CARES Act Provider Relief Fund and the other funding sources noted above, the District resumed the services that had been temporarily suspended in May 2020. However, the pandemic continues to affect the District's operations. The ultimate COVID-19 pandemic effect on the District's financial position is unknown at this time.

SUPPLEMENTAL INFORMATION

Eastern Rio Blanco County Health Service District
doing business as Pioneers Medical Center
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<i>Operating revenues</i>			
Net patient service revenue	\$ 25,534,943	\$ 31,391,725	\$ 5,856,782
Grants	-	82,668	82,668
Other revenue	620,966	202,741	(418,225)
Total operating revenues	26,155,909	31,677,134	5,521,225
<i>Operating expenses</i>			
Salaries and wages	10,000,313	11,232,009	(1,231,696)
Employee benefits	3,913,329	5,290,068	(1,376,739)
Professional fees and other purchased services	6,388,657	5,941,035	447,622
Supplies	2,535,065	4,323,772	(1,788,707)
Utilities	553,246	521,382	31,864
Depreciation and amortization	4,148,570	4,574,733	(426,163)
Insurance	118,614	132,890	(14,276)
Leases and rentals	20,349	33,102	(12,753)
Repairs and maintenance	119,529	918,036	(798,507)
Other	2,021,717	1,374,842	646,875
Total operating expenses	29,819,389	34,341,869	(4,522,480)
<i>Operating gain (loss)</i>	(3,663,480)	(2,664,735)	998,745
<i>Nonoperating revenues (expenses)</i>			
Nonoperating grants	151,994	719,907	567,913
Investment income	117,923	40,615	(77,308)
Interest expense	(1,315,142)	(1,439,092)	(123,950)
Other nonoperating revenue	4,810,335	4,026,382	(783,953)
Total nonoperating revenues (expenses), net	3,765,110	3,347,812	(417,298)
Excess of revenues over expenses before capital grants and contributions and gain on forgiveness of			
Paycheck Protection Program loan	101,630	683,077	581,447
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	-	1,668,071	-
<i>Capital grants and contributions</i>	-	8,000	8,000
Change in net position	\$ 101,630	\$ 2,359,148	\$ 2,257,518

See accompanying independent auditors' report.