

**Grand River Hospital District
doing business as
Grand River Health**

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2020 and 2019

**Grand River Hospital District
doing business as Grand River Health
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DINGUS | ZARECOR & ASSOCIATES P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand River Hospital District
doing business as Grand River Health
Rifle, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Grand River Hospital District doing business as Grand River Health (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 15 to the financial statements, the COVID-19 pandemic has created economic uncertainties which may negatively impact the District's financial position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 15. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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 District's 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.

The schedule of budget and actual revenues and expenses 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 20, 2021

Grand River Hospital District
doing business as Grand River Health
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	\$ 1,257,843	\$ 743,256
Investments	39,805,480	32,633,602
Receivables:		
Patient accounts, net of estimated uncollectibles	9,139,938	11,760,099
Other receivables	204,543	247,909
Property tax levy	16,640,400	15,911,040
Property taxes	946,609	285,254
Estimated third-party payor settlements	4,993,833	3,204,102
Inventories	2,979,150	2,529,492
Prepaid expenses	714,015	823,539
Total current assets	76,681,811	68,138,293
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for Memorial Trust Fund	1,125,803	1,125,615
Cash and cash equivalents restricted for bond repayment	1,333,426	1,165,288
Cash and cash equivalents restricted by bond for construction	2,504,414	1,891,752
Investments restricted by bond for construction	20,546,251	76,359,370
Investment in joint ventures	1,114,485	1,201,346
Capital assets, net	149,385,220	98,079,887
Total noncurrent assets	176,009,599	179,823,258
Total assets	252,691,410	247,961,551
<i>Deferred outflows of resources</i>		
Deferred charge on debt refunding	-	8,647
Total assets and deferred outflows of resources	\$ 252,691,410	\$ 247,970,198

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Net Position (Continued)
December 31, 2020 and 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 3,225,000	\$ 3,085,000
Accounts payable	1,768,397	1,500,321
Refunds payable	-	345,404
Accrued compensation and related liabilities	5,356,423	5,778,799
Accrued interest payable	362,074	373,885
Estimated third-party payor settlements	-	102,548
Unearned CARES Act Provider Relief Fund	466,244	-
Total current liabilities	11,178,138	11,185,957
<i>Noncurrent liabilities</i>		
Capital accounts payable	4,981,096	3,654,912
Long-term debt, net of current maturities	94,444,241	98,480,331
Total noncurrent liabilities	99,425,337	102,135,243
Total liabilities	110,603,475	113,321,200
<i>Deferred inflows of resources</i>		
Deferred property tax levy	16,640,400	15,911,040
<i>Net position</i>		
Net investment in capital assets	69,423,474	70,745,528
Restricted for Memorial Trust Fund	1,125,803	1,125,615
Restricted for bond repayment	1,333,426	1,165,288
Unrestricted	53,564,832	45,701,527
Total net position	125,447,535	118,737,958
Total liabilities, deferred inflows of resources, and net position	\$ 252,691,410	\$ 247,970,198

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
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, net of provision for bad debts	\$ 71,846,562	\$ 71,592,119
Electronic health records incentive	-	76,500
Other revenues	939,031	1,103,797
Total operating revenues	72,785,593	72,772,416
<i>Operating expenses</i>		
Salaries and wages	41,078,698	40,260,836
Employee benefits	14,568,255	13,178,895
Professional fees and other purchased services	4,202,258	3,868,735
Supplies	9,455,499	9,482,583
Depreciation	6,497,384	6,276,930
Utilities	1,112,931	1,064,865
Repairs and maintenance	6,389,534	6,537,377
Provider fees	1,951,271	1,752,595
Other	2,989,556	3,035,136
Total operating expenses	88,245,386	85,457,952
<i>Operating loss</i>	(15,459,793)	(12,685,536)
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	9,174,414	9,590,510
Taxation for bond principal and interest	8,328,904	7,889,684
Tax collection expense	(271,668)	(441,536)
Investment income	1,436,546	3,075,923
Contributions	219,673	66,290
Interest expense	(3,684,144)	(3,829,696)
CARES Act Provider Relief Fund	6,965,645	-
Total nonoperating revenues, net	22,169,370	16,351,175
<i>Change in net position before capital contributions</i>	6,709,577	3,665,639
<i>Capital contributions</i>	-	1,148,750
Change in net position	6,709,577	4,814,389
Net position, beginning of year	118,737,958	113,923,569
Net position, end of year	\$ 125,447,535	\$ 118,737,958

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
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	\$ 72,229,040	\$ 68,806,047
Electronic health records incentive payment	-	76,500
Other receipts	982,397	1,022,594
Payments to and on behalf of employees	(56,069,329)	(53,365,621)
Payments to suppliers and contractors	(26,173,107)	(25,323,468)
Net cash used in operating activities	(9,030,999)	(8,783,948)
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	8,513,059	9,405,629
Payments for tax collection	(271,668)	(441,536)
Contributions	219,673	66,290
CARES Act Provider Relief Fund	7,431,889	-
Net cash provided by noncapital financing activities	15,892,953	9,030,383
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(56,476,533)	(23,028,229)
Principal paid on long-term debt	(3,085,000)	(2,940,000)
Taxation for bond principal and interest	8,328,904	7,889,684
Interest paid	(4,498,398)	(4,627,632)
Net cash used in capital and related financing activities	(55,731,027)	(22,706,177)
<i>Cash flows from investing activities</i>		
Purchase of investments	(539,894)	(7,694,652)
Sale of investments	50,704,542	28,612,465
Interest on investments	-	65,340
Net cash provided by investing activities	50,164,648	20,983,153
Net increase (decrease) in cash and cash equivalents	1,295,575	(1,476,589)
Cash and cash equivalents, beginning of year	4,925,911	6,402,500
Cash and cash equivalents, end of year	\$ 6,221,486	\$ 4,925,911

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
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	\$ 1,257,843	\$ 743,256
Cash and cash equivalents restricted for Memorial Trust Fund	1,125,803	1,125,615
Cash and cash equivalents restricted for bond repayment	1,333,426	1,165,288
Cash and cash equivalents restricted by bond for construction	2,504,414	1,891,752
Total cash and cash equivalents	\$ 6,221,486	\$ 4,925,911
<i>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</i>		
Operating loss	\$ (15,459,793)	\$ (12,685,536)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>		
Provision for bad debts	6,814,107	7,257,363
Depreciation	6,497,384	6,276,930
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(4,193,946)	(11,478,538)
Other receivables	43,366	(81,203)
Estimated third-party payor settlements	(1,789,731)	1,571,452
Inventories	(449,658)	(175,508)
Prepaid expenses	109,524	413,354
Increase (decrease) in liabilities:		
Accounts payable	268,076	179,977
Refunds payable	(345,404)	(238,897)
Accrued compensation and related liabilities	(422,376)	74,110
Estimated third-party payor settlements	(102,548)	102,548
Net cash used in operating activities	\$ (9,030,999)	\$ (8,783,948)

Noncash Financing and Investing Activities

During the year ended December 31, 2019, the District received a noncash contribution of land in the amount of \$1,148,750.

During the years ended December 31, 2020 and 2019, the District recognized \$1,436,546 and \$3,010,583 in noncash investment income, respectively.

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements
Years Ended December 31, 2020 and 2019

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Grand River Hospital District doing business as Grand River Health (the District) owns and operates Grand River Medical Center, a 25-bed acute care hospital (the Hospital) in Rifle, Colorado. Additionally, the District operates E. Dene Moore Memorial Home (the Nursing Home), Grand River Primary Care, and Grand River Health Clinic West. As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The District is governed by a Board of Directors (the Board) consisting of seven community members elected by the residents of the District. The District is not a component unit of another governmental entity.

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the District – the primary government – and its component unit. The component unit discussed below is included in the District’s reporting entity because of the significance of its operations and financial relationship with the District. The Grand River Hospital District Memorial Trust Fund (the Trust Fund) is a component unit of the District since its trustees are appointed from the District’s Board of Directors.

The Trust Fund was established for the purpose of receiving and holding bequests and gifts to be distributed to the Hospital and the Nursing Home. Trustees of the Trust Fund are responsible for the appropriate disposition of funds. The Trust Fund’s restricted resources are distributed to the Hospital or the Nursing Home as required to comply with purposes specified by donors. The Trust Fund’s unrestricted resources are distributed to the Hospital or the Nursing Home in amounts and for purposes determined by the Trustees. The Trust Fund is presented as a blended component unit of the District. The assets, liabilities, revenues, and expenses are included in the District’s financial statements.

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, liabilities, deferred outflows of resources and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Grand River Hospital District
doing business as Grand River Health
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)

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

Inventories – Supply inventories are stated at cost, determined using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operations of the District.

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. Prepaid expenses include prepaid insurance, prepaid equipment maintenance expenses, and other expenses.

Capital assets – It is the District's policy to capitalize property and equipment over \$5,000 and having a useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets other than land are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense.

Estimated useful lives are as follows:

Land improvements	5 to 15 years
Buildings and fixed equipment	5 to 40 years
Equipment	2 to 20 years

Compensated absences – The District's policies permit most employees to accumulate vacation benefits that may be realized as paid time off, or in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rate in effect at the statements of net position dates plus an additional amount for compensation related payments such as Social Security and Medicare taxes computed using rates in effect at those dates.

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 amortization 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 net position*.

Grand River Hospital District
doing business as **Grand River Health**
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)

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, grants, and contributions received for purposes other than capital asset acquisition, 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 grants from the state of Colorado and others 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. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

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 – The District has evaluated subsequent events through April 20, 2021, the date on which the financial statements were available to be issued. See subsequent event disclosure for surgical robot purchase on page 28.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

2. Bank Deposits and Investments:

Deposits – The Colorado Public Deposit Protection Act (CPDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the CPDPA.

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

Investments – Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker's acceptance notes, commercial paper, corporate securities, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in their name, or in the custody of a third-party on behalf of the local government.

The District invests in Wells Fargo Money Market Mutual Funds, Freddie Mac Fixed Rate Bonds, Federal Home Loan Bank Bonds, commercial paper, corporate bonds, and United States Treasury notes. All funds are pooled, and a designated custodian provides safekeeping and depository service in connection with direct investment and withdrawal functions. Management believes there is no significant custodial, interest rate, or foreign currency risk exposure.

Concentration of credit risk – 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 single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

2. Bank Deposits and Investments (continued):

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’s investments consisted of:

	S&P Rating	Fair Value Measurement	Fair Value	Investment Maturities (in Years)	
				Less Than One	One to Five
2020					
United States Treasury Notes	Not rated	Level 1	\$ 10,075,195	\$ 10,075,195	\$ -
United States Treasury Notes	Not rated	Level 2	21,076,836	21,076,836	-
Commercial Paper	A1	Level 2	7,297,587	7,297,587	-
Corporate Bonds	AA-	Level 2	9,037,973	9,037,973	-
Wells Fargo Money Market Mutual Funds	Not rated	Level 1	12,864,140	12,864,140	-
			\$ 60,351,731	\$ 60,351,731	\$ -
2019					
United States Treasury Notes	Not rated	Level 1	\$ 43,261,723	\$ 20,084,375	\$ 23,177,348
United States Treasury Notes	Not rated	Level 2	5,998,656	5,998,656	-
Federal Home Loan Bank Bonds	AA+	Level 1	58,026,339	50,026,339	-
Wells Fargo Money Market Mutual Funds	Not rated	Level 1	9,706,254	9,706,254	-
			\$ 108,992,972	\$ 85,815,624	\$ 23,177,348

A reconciliation of investments follows:

	2020	2019
Investments in current assets	\$ 39,805,480	\$ 32,633,602
Investments restricted by bond for construction	20,546,251	76,359,370
Total investments, end of year	\$ 60,351,731	\$ 108,992,972

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.

Grand River Hospital District
 doing business as Grand River Health
 Notes to Basic Financial Statements (Continued)
 Years Ended December 31, 2020 and 2019

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 has not significantly changed 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.

Patient accounts receivable reported as current assets by the District were as follows:

	2020	2019
Receivable from patients and their insurance carriers	\$ 13,633,840	\$ 15,693,114
Receivable from Medicare	3,880,667	4,017,030
Receivable from Medicaid	1,545,533	2,441,334
Total patient accounts receivable	19,060,040	22,151,478
Less allowance for uncollectible accounts	9,920,102	10,391,379
Patient accounts receivable, net	\$ 9,139,938	\$ 11,760,099

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

4. Investment in Joint Ventures:

The District holds an equity interest in Healthcare Management, LLC (the LLC). The District owns approximately 12 percent of the LLC. The value of the District's equity interest in the LLC was \$1,022,763 and \$1,109,624 as of December 31, 2020 and 2019, respectively.

The condensed balance sheet and statement of revenues, expenses, and changes in members' equity of the LLC are summarized as follows:

	2020	2019
Current assets	\$ 4,759,000	\$ 5,269,000
Noncurrent assets	6,072,000	5,092,000
Total assets	\$ 10,831,000	\$ 10,361,000
Current liabilities	\$ 2,220,000	\$ 1,019,000
Members' equity	8,611,000	9,342,000
Total liabilities and members' equity	\$ 10,831,000	\$ 10,361,000
Revenue	\$ 10,777,000	\$ 12,228,000
Expenses	9,694,000	9,291,000
Net income	\$ 1,083,000	\$ 2,937,000

The District holds an equity interest in CareFlight of the Rockies, LLC (CareFlight). The District owns approximately 4 percent of CareFlight. The value of the District's equity interest in the LLC was \$91,722 as of December 31, 2020 and 2019.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

5. Capital Assets:

A schedule of changes in capital assets follows:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 4,861,735	\$ -	\$ -	\$ -	\$ 4,861,735
Land held for future development	2,007,103	-	-	-	2,007,103
Construction in progress	26,375,033	56,849,226	-	-	83,224,259
Total capital assets not being depreciated	33,243,871	56,849,226	-	-	90,093,097
<i>Capital assets being depreciated</i>					
Land improvements	322,025	30,750	-	-	352,775
Buildings and fixed equipment	77,919,215	123,989	-	-	78,043,204
Equipment	43,800,887	798,752	-	-	44,599,639
Total capital assets being depreciated	122,042,127	953,491	-	-	122,995,618
<i>Less accumulated depreciation for</i>					
Land improvements	221,029	21,345	-	-	242,374
Buildings and fixed equipment	26,373,986	2,980,871	-	-	29,354,857
Equipment	30,611,096	3,495,168	-	-	34,106,264
Total accumulated depreciation	57,206,111	6,497,384	-	-	63,703,495
Total capital assets being depreciated, net	64,836,016	(5,543,893)	-	-	59,292,123
Capital assets, net	\$ 98,079,887	\$ 51,305,333	\$ -	\$ -	\$ 149,385,220

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

5. Capital Assets (continued):

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
<i>Capital assets not being depreciated</i>					
Land	\$ 4,861,735	\$ -	\$ -	\$ -	\$ 4,861,735
Land held for future development	822,635	1,184,468	-	-	2,007,103
Construction in progress	10,095,602	25,198,710	-	(8,919,279)	26,375,033
Total capital assets not being depreciated	15,779,972	26,383,178	-	(8,919,279)	33,243,871
<i>Capital assets being depreciated</i>					
Land improvements	247,226	74,799	-	-	322,025
Buildings and fixed equipment	77,822,489	96,726	-	-	77,919,215
Equipment	34,420,686	766,641	(305,719)	8,919,279	43,800,887
Total capital assets being depreciated	112,490,401	938,166	(305,719)	8,919,279	122,042,127
<i>Less accumulated depreciation for</i>					
Land improvements	200,490	20,539	-	-	221,029
Buildings and fixed equipment	23,395,980	2,978,006	-	-	26,373,986
Equipment	27,453,436	3,278,385	(120,725)	-	30,611,096
Total accumulated depreciation	51,049,906	6,276,930	(120,725)	-	57,206,111
Total capital assets being depreciated, net	61,440,495	(5,338,764)	(184,994)	8,919,279	64,836,016
Capital assets, net	\$ 77,220,467	\$ 21,044,414	\$ (184,994)	\$ -	\$ 98,079,887

Construction in progress at December 31, 2020, consisted primarily of a hospital expansion, with estimated costs to complete of \$10,000,000 and an estimated date of completion of 2021, and a new care center building, with estimated costs to complete of \$4,000,000 and an estimated date of completion of 2021. The construction is financed by the 2018 general obligation bonds.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

6. Healthcare Self-insurance:

The District partially self-insures the cost of employee healthcare benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$100,000 per individual. An accrual for claims that have been incurred but not reported is included in the statements of net position in accrued compensation and related liabilities. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in the District's claim liability were as follows:

	2020	2019
Claim liability, beginning of year	\$ 1,065,467	\$ 823,219
Current year claims and changes in estimates	7,668,793	6,735,163
Claims payments	(7,546,589)	(6,492,915)
Claim liability, end of year	\$ 1,187,671	\$ 1,065,467

7. Long-term Debt:

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2019			Balance December 31, 2020		Amounts Due Within One Year
	Additions	Reductions	Additions	Reductions	Additions	Reductions
General Obligation Bonds, 2010	\$ 1,255,000	\$ -	\$ (1,255,000)	\$ -	\$ -	\$ -
Bond premium, 2010	7,605	-	(7,605)	-	-	-
General Obligation Bonds, 2018	85,840,000	-	(1,830,000)	84,010,000	3,225,000	-
Bond premium, 2018	14,462,726	-	(803,485)	13,659,241	-	-
Total long-term debt	\$ 101,565,331	\$ -	\$ (3,896,090)	\$ 97,669,241	\$ 3,225,000	\$ -

	Balance December 31, 2018			Balance December 31, 2019		Amounts Due Within One Year
	Additions	Reductions	Additions	Reductions	Additions	Reductions
General Obligation Bonds, 2010	\$ 2,455,000	\$ -	\$ (1,200,000)	\$ 1,255,000	\$ 1,255,000	\$ 1,255,000
Bond premium, 2010	76,773	-	(69,168)	7,605	-	-
General Obligation Bonds, 2018	87,580,000	-	(1,740,000)	85,840,000	1,830,000	-
Bond premium, 2018	15,266,211	-	(803,485)	14,462,726	-	-
Total long-term debt	\$ 105,377,984	\$ -	\$ (3,812,653)	\$ 101,565,331	\$ 3,085,000	\$ -

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

7. Long-term Debt (continued):

The General Obligation Bonds Series 2018 (the Bonds) in the original amount of \$89,400,000 are secured by the District's full faith and credit. The bonds mature annually at amounts ranging from \$3,225,000 in 2021 to \$7,195,000 in 2037, with semiannual interest payments at rates ranging from 5.0 percent to 5.25 percent.

The General Obligation Bonds Series 2018 are direct and general obligations of the District and are secured by an irrevocable pledge of the District that it will have sufficient funds available to pay the bond principal and interest due by levying each year a tax upon the taxable property within the District. The District Board of Directors approved the Bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

The General Obligation Bonds Series 2010 in the original amount of \$11,190,000 matured in 2020.

Scheduled principal and interest repayments are as follows:

Years Ending December 31,	General Obligation Bonds	
	Principal	Interest
2021	\$ 3,225,000	\$ 4,344,888
2022	3,385,000	4,183,638
2023	3,555,000	4,014,388
2024	3,735,000	3,836,638
2025	3,920,000	3,649,888
2026-2030	22,775,000	15,071,050
2031-2035	29,385,000	8,469,038
2036-2037	14,030,000	1,114,310
	\$ 84,010,000	\$ 44,683,838

Grand River Hospital District
 doing business as Grand River Health
 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 provisions for bad debts and writeoffs have not changed significantly from the prior year. 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	\$ 25,607,889	\$ 23,235,945
Medicaid	10,793,900	16,100,800
Colorado Indigent Care Program and Medicaid Supplemental Payments	5,028,248	4,097,555
Other third-party payors	27,205,886	26,914,058
Patients	11,345,117	9,479,256
340(b) contract pharmacy program revenue	1,224,472	1,017,896
	<u>81,205,512</u>	<u>80,845,510</u>
Less:		
Charity care	2,544,843	1,996,028
Provision for bad debts	6,814,107	7,257,363
	<u>\$ 71,846,562</u>	<u>\$ 71,592,119</u>

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

- *Medicare* – The Hospital has been designated a critical access hospital, and Grand River Primary Care and Grand River Health Clinic West (the Clinics) as rural health clinics by Medicare. The Hospital and Clinics are reimbursed on a cost basis as defined and limited by the Medicare program. 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 the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule. The District is reimbursed for skilled nursing facility services under a prospective payment system.

Grand River Hospital District
doing business as Grand River Health
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. Rural health clinic encounters are reimbursed 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.
- *Other* – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, 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 \$340,000 and decreased by approximately \$242,000 in the years ended December 31, 2020 and 2019, respectively, due to differences between original estimates and final settlements or revised estimates.

During the year ended December 31, 2017, the District received notice that their 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 2018 are being reprocessed, resulting in estimated additional reimbursement of approximately \$3,634,000. For the years ended December 31, 2020 and 2019, the District has estimated a receivable of approximately \$768,000 and a payable of approximately \$35,000 for the rate reconciliation.

Under the Colorado Health Care Affordability Act (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 the Medicare cost report. The costs of caring for charity care patients were approximately \$1,733,000 and \$1,306,000 for the years ended December 31, 2020 and 2019, respectively. The District received approximately \$5,028,000 and \$4,098,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2020 and 2019, respectively, to subsidize the cost of caring for charity care patients and to cover the gap where cost of caring for Medicaid patients exceeds Medicaid payments.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

9. CARES Act Provider Relief Fund:

In April 2020, the District received approximately \$7,432,000 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 \$6,965,645 of grant revenue from these funds. The District had \$466,244 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 Garfield County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually in December on property values assessed as of the same date. Assessed values are established by the County Assessor at fair market value. A revaluation of all property is required every two years. Ad valorem tax revenue is recognized in the period assessed to the extent such taxes are collected and available for use. The District received approximately 18 percent of its financial support in 2020 and 2019, from ad valorem taxes.

Taxes are due in either two equal installments on February 28 and June 16, or in one installment on April 30. Collections are distributed monthly to the District by the County Treasurer.

The District is permitted by law to levy up to \$5.597 per \$1,000 of assessed valuation for general District purposes. Colorado State Law, C.R.S. 39-5-121 & 39-5-128, limits the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people. The District has a fixed mill tax rate of \$5.597 per \$1,000, which will not be amended with population growth. For 2020, the District's total assessed valuation was \$1,520,786,420, for a total regular levy of \$8,511,842. For 2019, the District's total assessed valuation was \$1,735,404,810 for a total regular levy of \$9,713,052. Of this revenue, \$1,315,437 was designated for repayment of the District's 2010 general obligation bonds.

During the years ended December 31, 2020 and 2019, the District assessed general obligation bond and interest levies in the amount of \$8,128,558 and \$7,628,839, respectively. This bond levy, approved by the voters in the November 2017 election, will be used to pay the principal and interest on the Series 2018 general obligation bonds. Collections on this levy began in 2018.

During the year ended December 31, 2018, the District had abated property taxes of \$949,788 and interest on the abated taxes of \$118,006 related to a land valuation contested during the year ended December 31, 2017. Garfield County has the authority to enter into tax abatement agreements on behalf of the District. The abated taxes were recovered in the year ended December 2019 by way of a 2018 additional tax levy with a mill rate of \$0.581 per \$1,000 of assessed valuation resulting in \$958,790 of additional property tax revenue. The interest on the tax abatement is not expected to be recovered.

Property taxes are recorded as receivables when levied. Since state law allows for the sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Deferred inflows of resources are recorded when the taxes are levied and recognized as tax revenues in the following fiscal year.

11. Deferred Compensation and Defined Contribution Plans:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District participates in the Grand River Hospital District 457 Deferred Compensation Plan, a 457 retirement plan (the 457 Plan) administered by One America Financial Partners, Inc. All full-time and part-time employees are eligible to participate in the 457 Plan through pre-tax payroll deductions. All monies are sent to the 457 account that has been set up for the employee each pay period and are vested immediately. The 457 Plan is available for all District employees and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their heirs until termination, retirement, death, or unforeseen emergency. Total employee contributions to the 457 Plan during 2020 and 2019 were \$2,305,145 and \$2,317,285, respectively.

The District provides pension benefits through the Grand River Hospital District Employer Retirement Plan (the 401a Plan), a defined contribution plan, under section 401(a) of the Internal Revenue Code. The plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the District to the plan plus investment earnings. After one year of service, the District will match 3 percent of salary for full-time and part-time employees who have contributed to the 457 Plan. Total employer contributions to the 401a Plan during 2020 and 2019 were \$934,565 and \$915,053, respectively.

Benefit terms including contribution requirements are established and may be amended by the District.

12. Risk Management and Contingencies:

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

Medical malpractice claims – The District has its professional liability insurance with Copic Insurance (Copic). The Copic policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carriers in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The malpractice insurance provides \$1,000,000 per claim with an additional aggregate limit of \$3,000,000. The policy has a \$100,000 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. Further, the District is subject to provisions of the Colorado Governmental Immunity Act which provides a limitation on the liability of the District.

Grand River Hospital District
 doing business as Grand River Health
 Notes to Basic Financial Statements (Continued)
 Years Ended December 31, 2020 and 2019

12. 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 that 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, which 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 the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

13. Concentration of Credit Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party agreements. The following is the mix of receivables from patients and third-party payors:

	2020	2019
Medicare	35 %	28 %
Medicaid	16	21
Other third-party payors	25	31
Patients	24	20
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on District operations.

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

14. Blended Component Unit:

A condensed combining statement of net position as of December 31, 2020, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
<i>Assets</i>				
Current assets	\$ 76,298,194	\$ 1,059,735	\$ (676,118)	\$ 76,681,811
Capital assets, net	149,385,220	-	-	149,385,220
Other noncurrent assets	26,624,379	-	-	26,624,379
Total assets	252,307,793	1,059,735	(676,118)	252,691,410
<i>Deferred outflows of resources</i>				
Deferred charge on debt refunding	-	-	-	-
Total assets and deferred outflows of resources	\$ 252,307,793	\$ 1,059,735	\$ (676,118)	\$ 252,691,410
<i>Liabilities</i>				
Current liabilities	\$ 11,178,138	\$ 676,118	\$ (676,118)	\$ 11,178,138
Noncurrent liabilities, less current maturities	99,425,337	-	-	99,425,337
Total liabilities	110,603,475	676,118	(676,118)	110,603,475
<i>Deferred inflows of resources</i>				
Deferred property tax levy	16,648,400	-	-	16,648,400
<i>Net position</i>				
Net investment in capital assets	69,423,474	-	-	69,423,474
Restricted for Memorial Trust Fund	1,125,803	-	-	1,125,803
Restricted for bond repayment	1,333,426	-	-	1,333,426
Unrestricted	53,181,215	383,617	-	53,564,832
Total net position	125,063,918	383,617	-	125,447,535
Total liabilities, deferred inflows of resources, and net position	\$ 252,307,793	\$ 1,059,735	\$ (676,118)	\$ 252,691,410

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

14. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2020, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
<i>Operating revenues</i>				
Net patient service revenue, net of provision for bad debts	\$ 71,846,562	\$ -	\$ -	\$ 71,846,562
Electronic health records incentive payment	-	-	-	-
Other revenue	939,031	-	-	939,031
Total operating revenues	72,785,593	-	-	72,785,593
<i>Operating expenses</i>				
Depreciation	6,497,384	-	-	6,497,384
Other operating expenses	81,748,002	-	-	81,748,002
Total operating expenses	88,245,386	-	-	88,245,386
<i>Operating loss</i>	(15,459,793)	-	-	(15,459,793)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	9,174,414	-	-	9,174,414
Taxation for bond principal and interest	8,328,904	-	-	8,328,904
Tax collection expense	(271,668)	-	-	(271,668)
Investment income	1,436,515	31	-	1,436,546
Contributions	219,673	-	-	219,673
Interest expense	(3,684,144)	-	-	(3,684,144)
CARES Act Provider Relief Fund	6,965,645	-	-	6,965,645
Total nonoperating revenues, net	22,169,339	31	-	22,169,370
<i>Change in net position before capital contributions</i>	6,709,546	-	-	6,709,577
<i>Capital contributions</i>	-	-	-	-
<i>Change in net position</i>	6,709,546	31	-	6,709,577
<i>Net position, beginning of year</i>	118,354,372	383,586	-	118,737,958
Net position, end of year	\$ 125,063,918	\$ 383,617	\$ -	\$ 125,447,535

A condensed combining statement of cash flows for the year ended December 31, 2020, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
<i>Net cash provided by (used in):</i>				
Operating activities	\$ (9,030,999)	\$ -	\$ -	\$ (9,030,999)
Noncapital financing activities	15,892,953	-	-	15,892,953
Capital and related financing activities	(55,731,027)	-	-	(55,731,027)
Investing activities	50,164,617	31	-	50,164,648
Net increase (decrease) in cash and cash equivalents	1,295,544	31	-	1,295,575
<i>Cash and cash equivalents, beginning of year</i>	3,899,207	1,020,704	-	4,925,911
Cash and cash equivalents, end of year	\$ 5,194,751	\$ 1,050,735	\$ -	\$ 6,221,486

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

14. Blended Component Unit (continued):

A condensed combining statement of net position as of December 31, 2019, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
<i>Assets</i>				
Current assets	\$ 67,754,707	\$ 1,059,704	\$ (676,118)	\$ 68,138,293
Capital assets, net	98,079,887	-	-	98,079,887
Other noncurrent assets	81,743,371	-	-	81,743,371
Total assets	247,577,965	1,059,704	(676,118)	247,961,551
<i>Deferred outflows of resources</i>				
Deferred charge on debt refunding	8,647	-	-	8,647
Total assets and deferred outflows of resources	\$ 247,586,612	\$ 1,059,704	\$ (676,118)	\$ 247,970,198
<i>Liabilities</i>				
Current liabilities	\$ 11,185,957	\$ 676,118	\$ (676,118)	\$ 11,185,957
Noncurrent liabilities, less current maturities	102,135,243	-	-	102,135,243
Total liabilities	113,321,200	676,118	(676,118)	113,321,200
<i>Deferred inflows of resources</i>				
Deferred property tax levy	15,911,040	-	-	15,911,040
<i>Net position</i>				
Net investment in capital assets	70,745,528	-	-	70,745,528
Restricted for Memorial Trust Fund	1,125,615	-	-	1,125,615
Restricted for bond repayment	1,165,288	-	-	1,165,288
Unrestricted	45,317,041	383,586	-	45,700,627
Total net position	118,354,372	383,586	-	118,737,958
Total liabilities, deferred inflows of resources, and net position	\$ 247,586,612	\$ 1,059,704	\$ (676,118)	\$ 247,970,198

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

14. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2019, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
<i>Operating revenues</i>				
Net patient service revenues, net of provision for bad debts	\$ 71,592,119	\$ -	\$ -	\$ 71,592,119
Electronic health records incentive	76,500	-	-	76,500
Other revenue	1,103,797	-	-	1,103,797
Total operating revenues	72,772,416	-	-	72,772,416
<i>Operating expenses</i>				
Depreciation	6,276,930	-	-	6,276,930
Other operating expenses	79,181,022	-	-	79,181,022
Total operating expenses	85,457,952	-	-	85,457,952
<i>Operating loss</i>	(12,685,536)	-	-	(12,685,536)
<i>Nonoperating revenues (expenses)</i>				
Taxation for operations	9,598,510	-	-	9,598,510
Taxation for bond principal and interest	7,889,684	-	-	7,889,684
Tax collection expense	(441,536)	-	-	(441,536)
Investment income	3,075,232	691	-	3,075,923
Contributions	66,200	-	-	66,200
Interest expense	(3,829,696)	-	-	(3,829,696)
Total nonoperating revenues, net	16,358,484	691	-	16,359,175
<i>Change in net position before capital contributions</i>	3,664,948	691	-	3,665,639
<i>Capital contributions</i>	1,148,750	-	-	1,148,750
<i>Change in net position</i>	4,813,698	691	-	4,814,389
<i>Net position, beginning of year</i>	113,540,674	382,895	-	113,923,569
<i>Net position, end of year</i>	\$ 118,354,372	\$ 383,586	\$ -	\$ 118,737,958

A condensed combining statement of cash flows for the year ended December 31, 2019, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
<i>Net cash provided by (used by):</i>				
Operating activities	\$ (8,783,948)	\$ -	\$ -	\$ (8,783,948)
Noncapital financing activities	9,039,383	-	-	9,039,383
Capital and related financing activities	(22,706,177)	-	-	(22,706,177)
Investing activities	20,982,462	691	-	20,983,153
<i>Net increase (decrease) in cash and cash equivalents</i>	(1,477,280)	691	-	(1,476,589)
<i>Cash and cash equivalents, beginning of year</i>	5,343,487	1,059,013	-	6,402,500
<i>Cash and cash equivalents, end of year</i>	\$ 3,866,207	\$ 1,059,704	\$ -	\$ 4,925,911

Grand River Hospital District
doing business as Grand River Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

15. 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, lab, 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.

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

16. Subsequent Event:

On December 9, 2020, the Board of Trustees approved the purchase of a surgical robot with an estimated price of approximately \$1,285,000. The surgical robot is expected to be placed into service in 2021.

SUPPLEMENTARY INFORMATION

Grand River Hospital District
doing business as Grand River Health
Budget and Actual Revenues and Expenses
Year Ended December 31, 2020

	Actual	Preliminary and Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 71,846,562	\$ 76,244,826	\$ (4,398,264)
Other revenues	939,031	900,000	39,031
Total operating revenues	72,785,593	77,144,826	(4,359,233)
<i>Operating expenses</i>			
Salaries and wages	41,078,698	42,914,395	1,835,697
Employee benefits	14,568,255	14,073,409	(494,846)
Professional fees and other purchased services	4,202,258	3,510,740	(691,518)
Supplies	9,455,499	10,174,911	719,412
Depreciation	6,497,384	6,316,153	(181,231)
Utilities	1,112,931	978,044	(134,887)
Other	11,330,361	11,363,207	32,846
Total operating expenses	88,245,386	89,330,859	1,085,473
<i>Operating loss</i>	(15,459,793)	(12,186,033)	(3,273,760)
<i>Nonoperating revenues (expenses)</i>			
Taxation	17,231,650	15,911,040	1,320,610
Investment income	1,436,546	-	1,436,546
Contributions	219,673	-	219,673
Interest expense	(3,684,144)	(4,884,364)	1,200,220
CARES Act Provider Relief Fund	6,965,645	-	6,965,645
Total nonoperating revenues, net	22,169,370	11,026,676	11,142,694
Change in net position	\$ 6,709,577	\$ (1,159,357)	\$ 7,868,934

See accompanying independent auditors' report.



DINGUS | ZARECOR & ASSOCIATES P.L.L.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Grand River Hospital District
doing business as Grand River Health
Rifle, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grand River Hospital District doing business as Grand River Health (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated April 20, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

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

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 20, 2021

Grand River Hospital District
doing business as Grand River Health
Schedule of Audit Findings and Responses
Year Ended December 31, 2020

2020-001 Auditor-Detected Adjusting Journal Entries

<i>Condition</i>	Adjusting journal entries were proposed by the audit team to correct the allowance for doubtful accounts, the allowance for contractual adjustments, accounts receivable, refunds payable, accounts payable, construction in progress, taxes receivable, and tax revenue.
<i>Criteria</i>	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness District board members, management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. No material adjusting journal entries should be detected by the auditors during the audit process.
<i>Cause</i>	The District accrued an additional allowance for doubtful accounts and contractual adjustments which was in excess of actual expectations. The District posted contractual adjustments to accounts receivable rather than to the appropriate contractual adjustment accounts, which also had the effect of understating the allowance for contractual adjustments. The District over-accrued for accounts payable due to a clerical error. The District under-accrued accounts payable and construction in progress relating to large construction invoices incurred near year end. The District did not record receivables and revenue relating to delinquent property taxes.
<i>Context</i>	This finding appears to be a systemic issue.
<i>Effect</i>	Financial reports may be inaccurate and could affect the decision making of District management, the Board, state and federal agencies, and the public.

Grand River Hospital District
doing business as Grand River Health
Schedule of Audit Findings and Responses (Continued)
Year Ended December 31, 2020

<i>Recommendation</i>	In calculating the allowance for doubtful accounts, we recommend the District maintain a balance that more closely resembles the expected level of bad debt incurred.
	We also recommend the District review its accounts receivable for large credit balances to ensure proper posting of contractual adjustments.
	We also recommend the District review period-end accrual calculations for clerical accuracy.
	In preparing period-end accruals, we recommend that the District review payments for cutoff.
	We also recommend the District consider the reasonableness of all tax related receivables and accrue accordingly.
<i>Management's Response</i>	The District agrees with the auditor's recommendations and will ensure their implementation during fiscal year 2021.

**Grand River Hospital District
doing business as Grand River Health
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020**

Accounts Receivable Allowance – Repeated as finding 2020-001

Capital Accounts Payable – Repeated as finding 2020-001