



WEISBROD MEMORIAL COUNTY HOSPITAL

AND

THE KIOWA COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis,

Financial Statements and

Supplemental Information

For the Years Ended December 31, 2020 and 2019

And

Independent Auditors' Report

WEISBROD MEMORIAL COUNTY HOSPITAL AND THE KIOWA COUNTY HOSPITAL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Weisbrod Memorial County Hospital and
the Kiowa County Hospital District
Eads, Colorado

We have audited the accompanying financial statements of Weisbrod Memorial County Hospital and the Kiowa County Hospital District (the District), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weisbrod Memorial County Hospital and the Kiowa County Hospital 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.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Report on Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of budgeted and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule of budgeted and actual revenues and expenses is the responsibility of management and was derived from and relate 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.

Stockman Kast Ryan + Co. LLP

April 9, 2021

Colorado Springs, Colorado

WEISBROD MEMORIAL COUNTY HOSPITAL AND THE KIOWA COUNTY HOSPITAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the financial performance of Weisbrod Memorial County Hospital and the Kiowa County Hospital District (the District) provides an overview and analysis of the District's financial activities for the years ended December 31, 2020, 2019 and 2018. It should be read in conjunction with the accompanying basic financial statements.

Financial Highlights

- The District's total net position increased by \$2,575,379 and \$758,517 during 2020 and 2019, respectively. As of December 31, 2020, the District's net position is \$9,012,418.
- Operating revenues increased by \$971,648 and \$1,275,250 during 2020 and 2019, respectively.
- Operating expenses increased by \$919,559 and \$357,901 during 2020 and 2019, respectively.

Financial Statements

The District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in financial position and cash flows in a manner similar to private-sector businesses. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. The District's financial statements consist of three statements: a *statement of net position*, a *statement of revenues, expenses and changes in net position* and a *statement of cash flows*.

The *statement of net position* presents information on the District's assets, deferred outflows, liabilities and deferred inflows, with the net difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and non-operating revenues and expenses along with other changes in net position. This statement is an indication of the success of the District's operations.

The *statement of cash flows* presents the change in cash and cash equivalents resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments.

The notes to the financial statements provide additional information that is essential for a full understanding of the financial statements.

Statement of Net Position

	2020	2019	2018
Assets:			
Cash and investments	\$ 7,908,863	\$ 3,180,934	\$ 1,984,128
Patient accounts receivable, net	977,683	1,067,797	771,460
Other current assets	1,444,825	1,116,813	1,654,683
Capital assets, net	<u>2,817,219</u>	<u>2,002,873</u>	<u>2,114,994</u>
Total assets	<u>\$ 13,148,590</u>	<u>\$ 7,368,417</u>	<u>\$ 6,525,265</u>
Liabilities:			
Current liabilities	<u>\$ 3,632,244</u>	<u>\$ 401,734</u>	<u>\$ 346,856</u>
Deferred inflows of resources — deferred property tax revenue	<u>503,928</u>	<u>529,644</u>	<u>499,887</u>
Net position:			
Investment in capital assets	2,817,219	2,002,873	2,114,994
Restricted	7,798	9,331	6,958
Unrestricted	<u>6,187,401</u>	<u>4,424,835</u>	<u>3,556,570</u>
Total net position	<u>9,012,418</u>	<u>6,437,039</u>	<u>5,678,522</u>
Total liabilities and net position	<u>\$ 13,148,590</u>	<u>\$ 7,368,417</u>	<u>\$ 6,525,265</u>

Total assets increased by \$5,780,173 in 2020. Cash and investments increased \$4,727,929 due mainly to refundable provider relief fund advances and the Paycheck Protection Program (PPP) loan received in 2020. The provider relief fund advances and PPP loan were received pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act. Capital assets increased by \$814,346 (see Capital Assets and Debt Administration below). Current liabilities increased mainly due to refundable provider relief fund advances of \$3,032,377 as of December 31, 2020. Net position increased by \$2,575,379 as discussed further below.

Total assets increased by \$843,152 in 2019. Cash and investments increased \$1,196,806 due mainly to revenues exceeding expenses and the collection of third party payer settlements during 2019. Patient accounts receivable, net, increased primarily due to an increase in revenues.

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
OPERATING REVENUES	<u>\$ 8,792,656</u>	<u>\$ 7,821,008</u>	<u>\$ 6,545,758</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	5,068,055	4,436,145	4,293,224
Purchased services and professional fees	1,663,793	1,813,663	1,529,378
Supplies	1,214,495	877,890	782,875
Depreciation	341,791	344,221	393,229
Other	<u>642,448</u>	<u>539,104</u>	<u>654,416</u>
Total operating expenses	<u>8,930,582</u>	<u>8,011,023</u>	<u>7,653,122</u>
LOSS FROM OPERATIONS	<u>(137,926)</u>	<u>(190,015)</u>	<u>(1,107,364)</u>
NON-OPERATING INCOME (EXPENSE)			
Property taxes	820,983	792,861	761,990
Paycheck Protection Program loan forgiveness	826,262		
COVID-19 related grants	252,599		
Interest expense	(4,315)		(2,406)
Other income, net	<u>79,076</u>	<u>155,671</u>	<u>30,528</u>
Non-operating income, net	<u>1,974,605</u>	<u>948,532</u>	<u>790,112</u>
REVENUES OVER (UNDER) EXPENSES	1,836,679	758,517	(317,252)
Grants and contributions restricted for capital assets	<u>738,700</u>	<u> </u>	<u>90,092</u>
CHANGE IN NET POSITION	<u>2,575,379</u>	<u>758,517</u>	<u>(227,160)</u>
Net position, beginning of year	<u>6,437,039</u>	<u>5,678,522</u>	<u>5,905,682</u>
Net position, end of year	<u>\$ 9,012,418</u>	<u>\$ 6,437,039</u>	<u>\$ 5,678,522</u>

The 2020 statement shows an increase in operating revenues of \$971,648 and an increase in operating expenses of \$919,559, resulting in a decrease in the loss from operations of \$52,089 from 2019 to 2020. The increase in net position was \$2,575,379 in 2020 compared with an increase of \$758,517 in 2019. The 2019 statement shows an increase in operating revenues of \$1,275,250 and an increase in operating expenses of \$357,901, resulting in a decrease in the loss from operations of \$917,349 from 2018 to 2019.

Operating revenues increased in 2020 compared to 2019 primarily due to increased outpatient and long-term care patient volumes. Operating expenses increased in 2020 compared to 2019 primarily due to the increase in volume, cost increases and increased costs in response to the COVID-19 pandemic.

Operating revenues increased in 2019 compared to 2018 primarily due to a significant increase in volume of both inpatient days and outpatient visits. Operating expenses increased in 2019 compared to 2018 primarily due to the increase in volume and cost increases.

Non-operating income increased by \$1,026,073 in 2020 compared to 2019 due primarily to \$826,262 of PPP loan forgiveness and \$252,599 of COVID-19 related grants received and recognized as income.

Capital Assets and Debt Administration

Capital Assets — At December 31, 2020, 2019 and 2018, the District had \$2,817,219, \$2,002,873 and \$2,114,994, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. During 2020, the District acquired capital assets of \$1,156,137. The acquisitions consisted primarily of building improvements, land and equipment. During 2019, the District acquired capital assets of \$232,100. The acquisitions consisted primarily of a boiler project, a defibrillator and a tractor.

The District received \$738,700 from the Colorado Department of Local Affairs during 2020 for certain building improvements.

Debt — In May 2020, the District borrowed \$885,300 pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). In November 2020, principal and interest of \$821,947 and \$4,315, respectively, was forgiven under the terms of the program. The remaining balance of \$63,353 remains outstanding as of December 31, 2020. See Note 6 for further information.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating income and non-operating income and expenses, discussed earlier.

Other Information

See Note 9 to the financial statements regarding the impact on the Hospital of the ongoing COVID-19 pandemic and the COVID-19 related funding to the Hospital.

Contacting the District's Financial Management

This financial report is designed to provide the citizens, taxpayers, patients and creditors of the District a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about this report or need additional financial information, contact the Kiowa County Hospital District, P. O. Box 817, Eads, Colorado 81036.

**WEISBROD MEMORIAL COUNTY HOSPITAL AND
THE KIOWA COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,121,229	\$ 2,397,092
Short-term investments	648,343	643,997
Patient accounts receivable, net	977,683	1,067,797
Estimated third party payer settlements	500,000	303,169
Property taxes receivable	503,928	529,644
Supplies	413,364	255,412
Other current assets	<u>27,533</u>	<u>28,588</u>
Total current assets	10,192,080	5,225,699
LONG-TERM INVESTMENTS	131,493	130,514
ASSETS WHOSE USE IS LIMITED - Cash held by County Treasurer	7,798	9,331
CAPITAL ASSETS, NET	<u>2,817,219</u>	<u>2,002,873</u>
TOTAL	<u>\$ 13,148,590</u>	<u>\$ 7,368,417</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 100,418	\$ 123,334
Refundable provider relief fund advances	3,032,377	
Accrued expenses and other current liabilities	436,096	278,400
Note payable	<u>63,353</u>	
Total current liabilities	<u>3,632,244</u>	<u>401,734</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	<u>503,928</u>	<u>529,644</u>
NET POSITION		
Net investment in capital assets	2,817,219	2,002,873
Restricted	7,798	9,331
Unrestricted	<u>6,187,401</u>	<u>4,424,835</u>
Total net position	<u>9,012,418</u>	<u>6,437,039</u>
TOTAL	<u>\$ 13,148,590</u>	<u>\$ 7,368,417</u>

See notes to financial statements

**WEISBROD MEMORIAL COUNTY HOSPITAL AND
THE KIOWA COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts of \$402,054 and \$222,005, respectively	\$ 8,733,108	\$ 7,753,522
Other operating revenue	<u>59,548</u>	<u>67,486</u>
Total operating revenues	<u>8,792,656</u>	<u>7,821,008</u>
OPERATING EXPENSES		
Salaries, wages and employee benefits	5,068,055	4,436,145
Purchased services and professional fees	1,663,793	1,813,663
Supplies	1,214,495	877,890
Depreciation	341,791	344,221
Other	<u>642,448</u>	<u>539,104</u>
Total operating expenses	<u>8,930,582</u>	<u>8,011,023</u>
LOSS FROM OPERATIONS	<u>(137,926)</u>	<u>(190,015)</u>
NON-OPERATING INCOME (EXPENSE)		
Property taxes	820,983	792,861
Paycheck Protection Program loan forgiveness	826,262	
COVID-19 related grants	252,599	
Interest expense	(4,315)	
Other income, net	<u>79,076</u>	<u>155,671</u>
Non-operating income, net	<u>1,974,605</u>	<u>948,532</u>
REVENUES OVER EXPENSES BEFORE GRANTS AND CONTRIBUTIONS RESTRICTED FOR CAPITAL ASSETS	1,836,679	758,517
GRANTS AND CONTRIBUTIONS RESTRICTED FOR CAPITAL ASSETS	<u>738,700</u>	<u> </u>
CHANGE IN NET POSITION	2,575,379	758,517
NET POSITION, Beginning of year	<u>6,437,039</u>	<u>5,678,522</u>
NET POSITION, End of year	<u>\$ 9,012,418</u>	<u>\$ 6,437,039</u>

See notes to financial statements

**WEISBROD MEMORIAL COUNTY HOSPITAL AND
THE KIOWA COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
OPERATING ACTIVITIES		
Receipts from and on behalf of patients	\$ 8,626,391	\$ 8,100,947
Payments to vendors	(3,625,447)	(3,287,486)
Payments to employees	(4,988,200)	(4,390,782)
Other receipts, net	<u>62,287</u>	<u>57,695</u>
Net cash provided by operating activities	<u>75,031</u>	<u>480,374</u>
NON-CAPITAL FINANCING ACTIVITIES		
Property taxes supporting operations	820,983	792,861
Refundable provider relief fund advances	3,032,377	
Paycheck Protection Program loan forgiveness	826,262	
COVID-19 related grants	252,599	
Paycheck Protection Program note payable	63,353	
Other, net	<u>63,866</u>	<u>140,448</u>
Net cash provided by non-capital financing activities	<u>5,059,440</u>	<u>933,309</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,156,137)	(232,100)
Grants and contributions restricted for capital assets	<u>738,700</u>	<u> </u>
Net cash used in capital and related financing activities	<u>(417,437)</u>	<u>(232,100)</u>
INVESTING ACTIVITIES		
Investment income	10,895	15,223
Purchases of investments	(779,836)	(774,511)
Proceeds from disposition and maturities of investments	<u>774,511</u>	<u>765,094</u>
Net cash provided by investing activities	<u>5,570</u>	<u>5,806</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,722,604	1,187,389
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,406,423</u>	<u>1,219,034</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 7,129,027</u>	<u>\$ 2,406,423</u>

(Continued)

**WEISBROD MEMORIAL COUNTY HOSPITAL AND
THE KIOWA COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 7,121,229	\$ 2,397,092
Cash held by County Treasurer	<u>7,798</u>	<u>9,331</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 7,129,027</u>	<u>\$ 2,406,423</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from operations	\$ (137,926)	\$ (190,015)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	341,791	344,221
Changes in operating assets and liabilities:		
Patient accounts receivable, net	90,114	(296,337)
Estimated third-party payer settlements	(196,831)	643,762
Accounts payable, accrued expenses and other current liabilities	133,096	55,389
Other assets and liabilities	<u>(155,213)</u>	<u>(76,646)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 75,031</u>	<u>\$ 480,374</u>

(Concluded)

See notes to financial statements

WEISBROD MEMORIAL COUNTY HOSPITAL AND THE KIOWA COUNTY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General — Weisbrod Memorial County Hospital and the Kiowa County Hospital District (the District) consists of Kiowa County Hospital District dba Weisbrod Memorial County Hospital, a licensed 25-bed critical access hospital with acute and long-term beds and the Eads Medical Clinic (EMC), a rural health clinic, located in Eads, Colorado. Of the District's ten-member Board of Directors, five members are elected by the citizens of Kiowa County (the County) and the other five members are appointed by the County Commissioners. The Board of Directors operates, controls and manages the District.

Prior to 1963, Kiowa County, Colorado owned and operated the Weisbrod Memorial County Hospital. In 1963 the Kiowa County Hospital District was organized for the purpose of issuing bonds to build a new hospital wing. On June 18, 1965, a service agreement, which is still in effect, was entered into between the County and the District, whereby the County agreed to assign its facilities to the Hospital District in return for the District's agreement to manage and operate the facilities and to provide adequate and efficient hospital and medical services to the citizens of both governmental units. The agreement further stipulates that all revenues from operations belong to the District, and that the County shall provide additional funds to the District to be used whenever District funds are not sufficient to meet expenditures. In 1970, the County, through the Public Works Fund, constructed a new wing to the facilities. Since the hospital is operated by the District, all of the capital assets which are the property of both the County and the District are included in these financial statements.

Reporting Entity — For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial situation to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District does not have a component unit which meets the GASB criteria.

Basis of Presentation — The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-

exchange transactions that are not program specific, property taxes, investment income and interest on capital assets-related debt are included in non-operating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

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 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.

Cash and Cash Equivalents — The District considers all liquid investments, other than those limited as to use, with the original maturities of three months or less to be cash equivalents.

Property Taxes — The District received approximately 9% of its financial support, excluding other non-operating income, from property taxes in both 2020 and 2019. These funds were used to support operations. Taxes are assessed on January 1 and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. The County bills and collects property taxes for the District. Revenue from property taxes is recognized in the year for which the taxes are levied.

Investments and Investment Income — Investments consist of certificates of deposit and are stated at fair value. Certificates of deposit are valued based on cost, which approximates fair value. Investment income includes dividend and interest income and, when applicable, realized and unrealized gains and losses on investments.

Patient Accounts Receivable — The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the patient or third-party payor.

Supplies — Supplies are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Capital Assets — Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. The District capitalizes all capital assets exceeding \$5,000 and with an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Interest incurred during the construction phase of capital assets is included in the capitalized value of the assets constructed.

The following estimated useful lives are being used by the District:

Buildings	30 – 40 years
Improvements	10 – 15 years
Equipment	5 – 20 years

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

Compensated Absences — The District's policies permit employees to accumulate paid time off benefits. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes computed using rates in effect at that date.

Net Position — The District's net position is classified in the following components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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.

Net Patient Service Revenue — The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments and a provision for

uncollectible accounts. Retroactive adjustments are recorded on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods, as adjustments become known.

Charity and Indigent Care — The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The District provided charity care based upon standard rates for the years ended December 31, 2020 and 2019 of \$13,156 and \$655, respectively.

Income Taxes — As an essential government function of the County, the District is generally exempt from federal and state income taxes. However, the District is subject to federal income tax on any unrelated business taxable income.

The District believes that it does not have any uncertain tax positions that are material to the financial statements.

Budget and Budgetary Accounting — Prior to October 15, the budget is prepared by the administration and staff of the District and is submitted to the District Board of Directors. After conducting a public hearing, the budget is approved by the Board of Directors and legally enacted through passage of a resolution.

Budgets may be amended during the year by supplemental appropriation. All appropriations lapse at year end.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. DEPOSITS AND INVESTMENTS

Deposits — Custodial credit risk is the risk that in the event of a bank failure, a hospital's deposits may not be returned to it. The District does not have a formal policy that addresses custodial credit risk.

The Colorado Public Deposit Protection Act requires financial institutions to collateralize any uninsured public deposits. Any excess of deposits over the Federal Deposit Insurance Corporation (FDIC) limits that are not insured is covered by collateral pledged by the financial institution in accordance with Public Deposit Protection Act.

At December 31, 2020 and 2019, \$323,537 and \$294,690, respectively, of the District's bank balances were insured by FDIC. The remaining balances were uninsured but collateralized by securities held by the pledging financial institution's trust department in other than the District's name.

Investments — The District's investments are subject to various risks, including the following:

Interest Rate Risk — As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests primarily in certificates of deposit with limited durations. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk — Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that would limit its investment options.

Concentration of Credit Risk — The District does not have a formal investment policy for managing concentration of credit risk.

Summary of Carrying Values — At December 31, 2020 and 2019 the District's deposits and investments consisted of the following:

	2020	2019
Carrying value:		
Cash and cash equivalents	\$ 7,129,027	\$ 2,406,423
Certificates of deposit	<u>779,836</u>	<u>774,511</u>
Total	<u>\$ 7,908,863</u>	<u>\$ 3,180,934</u>

Included in the following statement of net position captions:

	2020	2019
Cash and cash equivalents	\$ 7,121,229	\$ 2,397,092
Short-term investments	648,343	643,997
Long-term investments	131,493	130,514
Cash held by Kiowa County District Treasurer	<u>7,798</u>	<u>9,331</u>
Total	<u>\$ 7,908,863</u>	<u>\$ 3,180,934</u>

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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3), as follows:

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Observable inputs other than quoted market prices.
- Level 3 Valuation derived from valuation techniques in which significant inputs are unobservable.

The District holds all of its investments in certificates of deposit as of December 31, 2020 and 2019, which are classified as Level 2 investments.

3. PATIENT ACCOUNTS RECEIVABLE, NET

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. The mix of receivables from third-party payers and patients as of December 31, 2020 and 2019 is as follows:

	2020	2019
Medicare	66%	56%
Other third-party payors	21	21
Medicaid	10	20
Private pay	<u>3</u>	<u>3</u>
Total	<u>100%</u>	<u>100%</u>

Patient accounts receivable are net of allowances for bad debts and contractual adjustments of \$837,486 and \$703,269 as of December 31, 2020 and 2019, respectively.

4. NET PATIENT SERVICE REVENUE

The District recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided. 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. This provision for bad debts is presented in the statements of revenues, expenses and changes in net position as a component of net patient service revenue.

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

Medicare — The District is designated as a Critical Access Hospital and is reimbursed on a cost basis. The District is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the District and audit thereof by the Medicare fiscal intermediary.

Medicaid — Services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates and cost reimbursement methodologies. The District is reimbursed at a tentative rate with final settlement determined after audits by the Medicaid fiscal intermediary.

Approximately 23% and 69% of net patient service revenues are from participation in the Medicare and Medicaid programs for the years ended December 31, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. Net patient service revenue increased (decreased) by approximately \$304,000 and \$(53,000) during 2020 and 2019, respectively, as the result of prior-year settlements.

The District has also 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.

The State of Colorado has implemented a provider fee on Medicaid providers which generates additional federal matching funds. Provider fee revenue and expense were as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Provider fee revenue	\$ 924,050	\$ 798,611
Provider fee expense	<u>89,709</u>	<u>66,267</u>
Net excess of revenue over expense	<u>\$ 834,341</u>	<u>\$ 732,344</u>

Provider fee revenue has been recorded within net patient service revenue and provider fee expense has been recorded within other operating expenses in the accompanying financial statements.

5. CAPITAL ASSETS

Capital assets activity is as follows for the years ended December 31, 2020 and 2019:

	Beginning Balance	Additions	Disposals	Ending Balance
2020				
Capital assets:				
Land	\$ 5,000	\$ 31,000		\$ 36,000
Buildings	2,355,438	41,129		2,396,567
Equipment	3,093,207	99,075	\$ (13,479)	3,178,803
Construction in progress	<u>155,134</u>	<u>984,933</u>	<u> </u>	<u>1,140,067</u>
	<u>5,608,779</u>	<u>1,156,137</u>	<u>(13,479)</u>	<u>6,751,437</u>
Less accumulated depreciation:				
Buildings	(1,495,845)	(71,013)		(1,566,858)
Equipment	<u>(2,110,061)</u>	<u>(270,778)</u>	<u>13,479</u>	<u>(2,367,360)</u>
	<u>(3,605,906)</u>	<u>(341,791)</u>	<u>13,479</u>	<u>(3,934,218)</u>
Capital assets, net	<u>\$ 2,002,873</u>	<u>\$ 814,346</u>	<u>\$ —</u>	<u>\$ 2,817,219</u>

	Beginning Balance	Additions	Disposals	Ending Balance
2019				
Capital assets:				
Land	\$ 5,000			\$ 5,000
Buildings	2,351,458	\$ 11,370	\$ (7,390)	2,355,438
Equipment	3,032,111	65,596	(4,500)	3,093,207
Construction in progress	<u> </u>	<u>155,134</u>	<u> </u>	<u>155,134</u>
	<u>5,388,569</u>	<u>232,100</u>	<u>(11,890)</u>	<u>5,608,779</u>
Less accumulated depreciation:				
Buildings	(1,433,638)	(69,597)	7,390	(1,495,845)
Equipment	<u>(1,839,937)</u>	<u>(274,624)</u>	<u>4,500</u>	<u>(2,110,061)</u>
	<u>(3,273,575)</u>	<u>(344,221)</u>	<u>11,890</u>	<u>(3,605,906)</u>
Capital assets, net	<u>\$ 2,114,994</u>	<u>\$ (112,121)</u>	<u>\$ —</u>	<u>\$ 2,002,873</u>

6. NOTE PAYABLE

Note payable activity is as follows for the year ended December 31, 2020:

	Beginning Balance	Borrowings	Principal Forgiven	Ending Balance	Due within one year
Note payable	<u>\$ —</u>	<u>\$ 885,300</u>	<u>\$ (821,947)</u>	<u>\$ 63,353</u>	<u>\$ 63,353</u>

On May 4, 2020, the District was granted a loan from a bank in the amount of \$885,300, pursuant to the Paycheck Protection Program (the PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act, which was enacted on March 27, 2020. The note bears interest at a rate of 1.00% per annum and is payable in monthly installments of \$20,304 commencing on September 4, 2021. The Note may be prepaid by the District at any time prior to maturity with no prepayment penalties. The PPP loan is forgivable upon meeting certain conditions, consisting primarily of incurring eligible expenditures. The District used \$826,262 for eligible expenditures during 2020. In November 2020, \$821,947 of note principal and \$4,315 of interest was forgiven per the terms of the PPP. Such amounts were recognized within non-operating income in the accompanying statement of revenues, expenses and changes in net position for the year ended December 31, 2020. The remaining balance of \$63,353 is outstanding as of December 31, 2020 and is due in 2021.

See Note 9 for further information on CARES Act funds received by the District.

7. RISK MANAGEMENT AND CONTINGENCIES

Risk Management — The District is exposed to various risks of loss from torts; thefts of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental and accident benefits. Commercial insurance

coverage is purchased for claims arising from such matters. Settled claims did not exceed this commercial coverage during 2020 or 2019.

Medical Malpractice — The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Industry Regulations — The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions. Management believes that the District is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Tax, Spending and Debt Limitations — Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including raising revenue, spending abilities, and other specific requirements of state and local governments. Management believes that the District is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR), however, many provisions of the Tabor Amendment are complex and subject to further interpretation and will require judicial interpretation.

8. RETIREMENT PLANS

The District provides pension benefits for its employees through a 457b deferred compensation plan. Participation in the plan is voluntary. Employees are eligible to participate immediately and are eligible for employer contributions after completion of one year of service and at least 1,000 hours. Employees may elect to contribute any amount up to the maximum allowed under the Internal Revenue Code. The District matches employee contributions up to a maximum of 3% of the employee's gross wages. Benefit provisions were established and can be amended by the District's Board of Directors and management.

Retirement plan contributions made by the District totaled \$80,686 and \$73,683 during 2020 and 2019, respectively.

9. COVID-19 PANDEMIC AND COVID-19 RELATED GRANTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In response to the COVID-19 outbreak the CARES Act, was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other health care providers to be distributed through provider relief funds. Payments from the provider relief funds are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for expenses or lost revenues attributed to COVID-19. Provider relief funds received and not used for these purposes by June 30, 2021 are required to be refunded. During 2020, the District was awarded \$3,182,377 of provider relief funds. The District has recognized \$150,000 of provider relief funds within non-operating revenue in the accompanying statement of revenues, expenses and changes in net position for the year ended December 31, 2020. The remaining \$3,032,377 has been recorded as a refundable advance in the accompanying consolidated balance sheet as of December 31, 2020.

The District received \$102,599 of other COVID-19 related grants in 2020, which were recognized within non-operating revenue. See Note 6 regarding the PPP loan granted to the District under the CARES Act.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity.

**WEISBROD MEMORIAL COUNTY HOSPITAL AND
THE KIOWA COUNTY HOSPITAL DISTRICT**

Supplemental Information

**WEISBROD MEMORIAL COUNTY HOSPITAL AND
THE KIOWA COUNTY HOSPITAL DISTRICT**

**BUDGETED AND ACTUAL REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net patient service revenue	\$ 8,733,108	\$ 6,710,345	\$ 2,022,763
Other operating revenue	<u>59,548</u>	<u>29,161</u>	<u>30,387</u>
Total operating revenues	<u>8,792,656</u>	<u>6,739,506</u>	<u>2,053,150</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	5,068,055	4,711,220	(356,835)
Other operating expenses	<u>3,862,527</u>	<u>3,714,490</u>	<u>(148,037)</u>
Total operating expenses	<u>8,930,582</u>	<u>8,425,710</u>	<u>(504,872)</u>
LOSS FROM OPERATIONS	(137,926)	(1,686,204)	1,548,278
Non-operating income, net, including grants and contributions restricted for capital assets	<u>2,713,305</u>	<u>1,714,615</u>	<u>998,690</u>
CHANGE IN NET POSITION	<u>\$ 2,575,379</u>	<u>\$ 28,411</u>	<u>\$ 2,546,968</u>