

Kremmling Memorial Hospital District

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2020 and 2019



DINGUS | ZARECOR & ASSOCIATES ^{PLLC}
Certified Public Accountants

**Kremmling Memorial Hospital District
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kremmling Memorial Hospital District
Kremmling, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Kremmling Memorial Hospital District (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 and those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 – Change in Accounting Principle

As described in Note 1 to the basic financial statements, in 2020 the District adopted new guidance, Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. 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 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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 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 July 23, 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 for the year ended December 31, 2020. The purpose of this 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. This 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
July 23, 2021

Kremmling Memorial Hospital District
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	\$ 16,176,172	\$ 2,969,200
Receivables:		
Patient accounts, net of estimated uncollectibles	5,963,576	5,940,082
Property taxes	959,022	946,763
Estimated third-party payor settlements	1,688,000	-
Other	573,648	265,385
Inventories	839,981	753,843
Prepaid expenses and other current assets	297,072	412,581
Total current assets	26,497,471	11,287,854
<i>Noncurrent assets</i>		
Assets limited as to use, cash and cash equivalents	3,289,750	3,352,012
Capital assets, net	27,379,466	20,464,011
Total noncurrent assets	30,669,216	23,816,023
Total assets	57,166,687	35,103,877
<i>Deferred outflows of resources, deferred charge on debt refunding</i>	607,258	628,198
Total assets and deferred outflows of resources	\$ 57,773,945	\$ 35,732,075

See accompanying notes to basic financial statements.

**Kremmling Memorial Hospital District
Statements of Net Position (Continued)
December 31, 2020 and 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
<i>Current liabilities</i>		
Accounts payable	\$ 1,287,105	\$ 905,411
Capital accounts payable	1,425,287	450,984
Accrued compensation and related liabilities	1,801,630	2,438,206
Current maturities of long-term debt	547,666	2,947,200
Current maturities of capital lease obligations	86,895	97,870
Medicare accelerated payments payable	4,292,745	-
Refunds payable	549,743	776,855
Interest payable	223,000	87,049
Estimated third-party payor settlements	-	47,436
Total current liabilities	10,214,071	7,751,011
<i>Noncurrent liabilities</i>		
Capital lease obligations, net of current maturities	71,937	162,964
Long-term debt, net of current maturities	29,724,345	21,896,079
Paycheck Protection Program loan	2,534,874	-
Total noncurrent liabilities	32,331,156	22,059,043
Total liabilities	42,545,227	29,810,054
<i>Deferred inflows of resources, property tax levy</i>	956,364	939,853
Total liabilities and deferred inflows of resources	43,501,591	30,749,907
<i>Net position</i>		
Net investment in capital assets	(4,092,406)	(4,549,937)
Unrestricted	15,735,664	6,577,147
Restricted	2,629,096	2,954,958
Total net position	14,272,354	4,982,168
Total liabilities, deferred inflows of resources, and net position	\$ 57,773,945	\$ 35,732,075

See accompanying notes to basic financial statements.

**Kremmling Memorial Hospital District
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	\$ 38,156,885	\$ 37,178,908
Other	367,815	288,229
Total operating revenues	38,524,700	37,467,137
<i>Operating expenses</i>		
Salaries and wages	16,275,951	16,573,645
Employee benefits	4,722,678	5,005,609
Professional fees and other purchased services	5,701,428	6,313,650
Supplies	3,314,197	3,044,234
Depreciation and amortization	1,681,844	1,608,861
Insurance	263,415	244,579
Utilities	406,858	468,307
Repairs and maintenance	54,265	136,159
Leases and rentals	359,407	315,125
Provider fees	954,103	617,491
Other	399,827	531,759
Total operating expenses	34,133,973	34,859,419
<i>Operating income</i>	4,390,727	2,607,718
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	1,003,294	1,010,750
CARES Act Provider Relief Fund	4,633,857	-
COVID-19 grants	81,649	-
Interest income	51,259	19,830
Interest expense	(870,600)	(853,216)
Total nonoperating revenues, net	4,899,459	177,364
Change in net position	9,290,186	2,785,082
Net position, beginning of year	4,982,168	2,197,086
Net position, end of year	\$ 14,272,354	\$ 4,982,168

See accompanying notes to basic financial statements.

Kremmling Memorial Hospital District
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>		
Cash received from and on behalf of patients	\$ 36,170,843	\$ 36,467,332
Cash received from other revenue	59,552	31,320
Payments to and on behalf of employees	(21,635,205)	(21,065,497)
Payments to suppliers and contractors	(11,042,435)	(12,258,271)
Net cash provided by operating activities	3,552,755	3,174,884
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	1,007,546	1,009,676
Proceeds from CARES Act Provider Relief Fund	4,633,857	-
Proceeds from COVID-19 grants	81,649	-
Proceeds from Paycheck Protection Program loan	2,534,874	-
Proceeds from Medicare accelerated payments	4,292,745	-
Net cash provided by noncapital financing activities	12,550,671	1,009,676
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(7,622,996)	(4,848,300)
Principal paid on capital lease obligations	(102,002)	(120,164)
Principal paid on long-term debt	(363,408)	(434,971)
Interest paid on long-term debt	(713,709)	(821,201)
Proceeds from the issuance of long-term debt	5,792,140	2,500,000
Net cash used in capital and related financing activities	(3,009,975)	(3,724,636)
<i>Cash flows from investing activities</i>		
Interest income	51,259	19,830
Net increase in cash and cash equivalents	13,144,710	479,754
Cash and cash equivalents, beginning of year	6,321,212	5,841,458
Cash and cash equivalents, end of year	\$ 19,465,922	\$ 6,321,212

See accompanying notes to basic financial statements.

**Kremmling Memorial Hospital District
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	\$ 16,176,172	\$ 2,969,200
Assets limited as to use, cash and cash equivalents	3,289,750	3,352,012
Total cash and cash equivalents	\$ 19,465,922	\$ 6,321,212
<i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i>		
Operating income	\$ 4,390,727	\$ 2,607,718
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation and amortization	1,681,844	1,608,861
Provision for bad debts	4,351,407	3,410,859
(Increase) decrease in assets:		
Receivables:		
Patient accounts receivable, net	(4,374,901)	(3,813,172)
Estimated third-party payor settlements	(1,688,000)	-
Other	(308,263)	(256,909)
Inventories	(86,138)	(98,963)
Prepaid expenses and other current assets	115,509	(60,998)
Increase (decrease) in liabilities:		
Accounts payable	381,694	(427,006)
Refunds payable	(227,112)	201,701
Accrued compensation and related liabilities	(636,576)	513,757
Estimated third-party payor settlements	(47,436)	(510,964)
Net cash provided by operating activities	\$ 3,552,755	\$ 3,174,884

See accompanying notes to basic financial statements.

Kremmling Memorial Hospital District
Notes to Basic Financial Statements
Years Ended December 31, 2020 and 2019

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Kremmling Memorial Hospital District (the District) has a 19-bed critical care hospital, located in Kremmling, Colorado; a two-bed critical care hospital, located in Granby, Colorado; and rural health clinics located in Kremmling, Granby, Grand Lake, Walden, and Winter Park, Colorado. The District provides healthcare services to Grand, Summit, and Jackson Counties. The District was created in 1973 as a political subdivision of the state of Colorado. 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 consisting of five members elected by the residents of the District. The District is not a component unit of another government entity. The District does not have any material component units.

The District provides management services for the operation of Cliffview Assisted Living District under a management contract with the Grand County Housing Authority. Cliffview Assisted Living District is not considered a component unit of the District.

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

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

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

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 of the related expense.

Assets limited as to use – Assets limited as to use include assets held by the trustee under indenture agreement for debt reserve requirements and designated by the Board for capital asset acquisitions.

**Kremmling Memorial Hospital District
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)

Capital assets – It is the District’s policy to capitalize property and equipment over \$5,000 and a useful life of at least three 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 40 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years

Compensated absences – The District’s policies permit most employees to paid time off (PTO) for vacation, holidays, and sicknesses. The expense and the related liability are recognized as vacation benefits as earned. Compensated absence liabilities are computed using the regular pay rate in effect at the statement 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 that date.

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is 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 remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes, 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.

**Kremmling Memorial Hospital District
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)

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.

Change in accounting principle – In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for the District’s year ended December 31, 2020.

The implementation of the standard did not have any significant impact in the current year.

Upcoming accounting standard pronouncements – In June 2017, the 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.

Reclassifications – Certain amounts have been reclassified in the 2019 financial statements in order to be consistent with the 2020 financial statements. These reclassifications had no effect on previously reported change in net position.

Subsequent events – The District has evaluated subsequent events and transactions through July 23, 2021, the date on which the financial statements were available to be issued.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

2. 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.

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, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third-party on behalf of the local government. The District had no investments at 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 for self-pay patients 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.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

3. Patient Accounts Receivable (continued):

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

	2020	2019
Receivable from patients and their insurance carriers	\$ 9,447,582	\$ 9,690,922
Receivable from Medicare	1,385,731	911,558
Receivable from Medicaid	311,263	118,275
Total patient accounts receivable	11,144,576	10,720,755
Less allowance for uncollectible accounts	(5,181,000)	(4,780,673)
Patient accounts receivable, net	\$ 5,963,576	\$ 5,940,082

4. Assets Limited as to Use:

The composition of assets limited as to use reported by the District consisted of the following amounts:

	2020	2019
<i>Noncurrent assets</i>		
Cash and cash equivalents:		
Under debt agreements for debt reserve	\$ 2,629,096	\$ 2,954,958
Board designated for future capital projects	660,654	397,054
Total assets limited as to use	\$ 3,289,750	\$ 3,352,012

Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

5. Capital Assets:

Capital asset additions, retirements, transfers, and balances reported by the District were as follows:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 4,541,453	\$ -	\$ -	\$ -	\$ 4,541,453
Construction in progress	1,897,367	8,160,439	-	-	10,057,806
Total capital assets not being depreciated	6,438,820	8,160,439	-	-	14,599,259
<i>Capital assets being depreciated</i>					
Land improvements	572,712	-	-	-	572,712
Buildings and improvements	15,823,796	86,970	-	-	15,910,766
Equipment	11,684,318	349,890	-	-	12,034,208
Total capital assets being depreciated	28,080,826	436,860	-	-	28,517,686
<i>Less accumulated depreciation for</i>					
Land improvements	251,746	26,682	-	-	278,428
Buildings and improvements	5,313,494	638,684	-	-	5,952,178
Equipment	8,490,395	1,016,478	-	-	9,506,873
Total accumulated depreciation	14,055,635	1,681,844	-	-	15,737,479
<i>Total capital assets being depreciated, net</i>	14,025,191	(1,244,984)	-	-	12,780,207
Capital assets, net	\$ 20,464,011	\$ 6,915,455	\$ -	\$ -	\$ 27,379,466

Kremmling Memorial Hospital District
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	\$ 1,909,567	\$ 2,631,886	\$ -	\$ -	\$ 4,541,453
Construction in progress	187,211	1,742,431	-	(32,275)	1,897,367
Total capital assets not being depreciated	2,096,778	4,374,317	-	(32,275)	6,438,820
<i>Capital assets being depreciated</i>					
Land improvements	572,712	-	-	-	572,712
Buildings and improvements	15,635,677	188,119	-	-	15,823,796
Equipment	10,915,195	736,848	-	32,275	11,684,318
Total capital assets being depreciated	27,123,584	924,967	-	32,275	28,080,826
<i>Less accumulated depreciation for</i>					
Land improvements	220,773	30,973	-	-	251,746
Buildings and improvements	4,790,554	522,940	-	-	5,313,494
Equipment	7,435,447	1,054,948	-	-	8,490,395
Total accumulated depreciation	12,446,774	1,608,861	-	-	14,055,635
<i>Total capital assets being depreciated, net</i>	14,676,810	(683,894)	-	32,275	14,025,191
Capital assets, net	\$ 16,773,588	\$ 3,690,423	\$ -	\$ -	\$ 20,464,011

Construction in progress as of December 31, 2020, is composed of costs related to a plan to remodel the hospital facilities in Kremmling, expand the hospital facilities in Granby, and construct a clinic in Fraser. The project is estimated to cost approximately \$25 million and the estimated completion is summer of 2022.

**Kremmling Memorial Hospital District
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 \$50,000 per claim. Liabilities on the statements of net position include an accrual for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The District's self-insurance is recorded in accrued compensation and related liabilities.

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

	2020	2019
Claim liability, beginning of year	\$ 563,441	\$ 273,325
Current year claims and changes in estimates	2,795,976	3,531,998
Claims payments	(3,059,966)	(3,241,882)
Claim liability, end of year	\$ 299,451	\$ 563,441

7. Long-term Debt and Capital Lease Obligations:

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

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
Series 2015 revenue bonds	\$ 22,343,279	\$ -	\$ (363,408)	\$ 21,979,871	\$ 547,666
Note payable	2,500,000	-	-	2,500,000	-
Construction loan payable	-	5,792,140	-	5,792,140	-
Capital lease obligations	260,834	-	(102,002)	158,832	86,895
Total long-term debt	\$ 25,104,113	\$ 5,792,140	\$ (465,410)	\$ 30,430,843	\$ 634,561

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
Series 2015 revenue bonds	\$ 22,778,250	\$ -	\$ (434,971)	\$ 22,343,279	\$ 447,200
Note payable	-	2,500,000	-	2,500,000	2,500,000
Capital lease obligations	380,998	-	(120,164)	260,834	97,870
Total long-term debt	\$ 23,159,248	\$ 2,500,000	\$ (555,135)	\$ 25,104,113	\$ 3,045,070

Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

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

The terms and due dates of the District's long-term debt and capital lease obligations are as follows:

- Kremmling Memorial Hospital District Hospital Facilities Revenue Bonds Series 2015 (the 2015 Bonds), issued through the Rural Housing Service of the United States Department of Agriculture, in the original amount of \$24,000,000, dated November 2015. The 2015 Bonds are payable from the fees; rates and charges for services; programs; and facilities furnished by the District. The 2015 Bonds are payable in annual principal installments ranging from \$463,874 to \$1,126,393, plus interest of 3.25 percent through December 2050.

The 2015 Bonds include financial covenants that must be complied with as a condition of the bonds. The District is required to submit audited financial statements within 150 days after the end of the fiscal year. The District did not meet this requirement in 2020.

- Note payable to Grand Mountain Bank, in the original amount of \$2,500,000, interest payments at 3.5 percent are due monthly through March 31, 2022. This note was issued for the purpose of financing the construction project until a construction loan was obtained (see Note 5).
- Construction loan payable to Western Alliance Business Trust, in the amount of \$18,239,000, interest payments at 3.18 percent are due monthly through August 2022, at which date the remaining principal and unpaid interest will be due. The loan will be used to finance the construction projects noted in Note 5 and was issued in anticipation of the receipt of two USDA Direct Loans and a USDA Guaranteed Loan upon completion of the construction.

The USDA loan will be used to refinance the construction loan when construction is complete.

- Capital lease obligations, at varying rates of imputed interest, ranging from 2.29 percent to 10.40 percent, collateralized by the related equipment with maturity dates ranging from 2021 to 2022.

The capital lease obligations are reflected in the District's assets and liabilities. The assets acquired under the capital leases had a capitalized cost of \$455,331 and \$551,607 as of December 31, 2020 and 2019, respectively, and accumulated amortization of \$258,122 and \$250,885 as of December 31, 2020 and 2019, respectively. Amortization expense is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

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

Scheduled principal and interest repayments on long-term debt and capital lease obligations are as follows:

Years Ending December 31,	Long-term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2021	\$ 547,666	\$ 782,791	\$ 86,895	\$ 3,202
2022	8,771,212	742,598	71,937	826
2023	494,769	676,911	-	-
2024	509,128	662,552	-	-
2025	527,660	644,020	-	-
2026-2030	2,907,470	2,950,930	-	-
2031-2035	3,416,208	2,442,192	-	-
2036-2040	4,013,080	1,845,320	-	-
2041-2045	4,716,673	1,141,727	-	-
2046-2050	4,368,145	325,711	-	-
	\$ 30,272,011	\$ 12,214,752	\$ 158,832	\$ 4,028

8. Paycheck Protection Program Note Payable:

In May 2020, the District was granted a loan from United Business Bank in the aggregate amount of \$2,534,874, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The PPP loan, which was in the form of a note dated May 13, 2020, matures on May 13, 2022, and bears interest at a rate of 1 percent per annum. The note may be prepaid by the District at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations. The District intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The District believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

The District applied for PPP loan forgiveness in 2020.

Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

9. 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 between 2020 and 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	\$ 12,174,732	\$ 10,658,966
Medicaid	2,687,339	2,732,681
Other third-party payors	19,140,596	20,151,858
Patients	4,775,476	4,663,554
Supplemental payments	4,255,677	2,881,988
	43,033,820	41,089,047
Less:		
Charity care	525,528	499,280
Provision for bad debts	4,351,407	3,410,859
	43,033,820	41,089,047
Net patient service revenue	\$ 38,156,885	\$ 37,178,908

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

- *Medicare* – The District has been designated a critical access hospital and Kremmling Clinic, Granby Clinic, North Park Clinic, and Winter Park Clinic as rural health clinics by Medicare, and are reimbursed for inpatient, outpatient, and clinic services 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.
- *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. 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.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

9. Net Patient Service Revenue (continued):

- *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 \$107,000 and \$83,000 in the years ended December 31, 2020 and 2019, respectively, due to differences between original estimates and final settlements or revised estimates.

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 its costing system. The costs of caring for charity care patients for the years ended December 31, 2020 and 2019, were approximately \$296,000 and \$280,000, respectively. The District received no gifts or grants to subsidize the cost of caring for charity care patients in 2020 or 2019.

10. Property Taxes:

The Grand County Treasurer acts as an agent to assess and collect property taxes levied in the county for all taxing authorities. Property taxes are levied and assessed on December 22 of the prior year on property values assessed as of May 1 of the prior year. Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. The assessed property is subject to lien on the levy date, therefore no allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates.

For 2020, the District's regular tax levy was \$7.045 per \$1,000 on a total assessed valuation of \$133,408,560, for a total regular levy of \$939,853. For 2019, the District's regular tax levy was \$7.045 per \$1,000 on a total assessed valuation of \$132,589,930, for a total regular levy of \$934,096.

The District paid \$53,739 and \$46,858 in 2020 and 2019, respectively, to the Grand County Treasurer for assessment and collection of the tax levy.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

11. CARES Act Provider Relief Fund:

In May 2020, the District received approximately \$4,634,000 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. During the year ended December 31, 2020, the District recognized all of these funds as grant revenue.

12. Deferred Compensation Plans:

The District sponsors the MPMC 457 Plan (the 457 Plan), a defined contribution pension plan for its full-time employees over age 18. The 457 Plan is administered by the District. Benefit terms, including contribution requirements, for the 457 Plan are established and may be amended by the District. The District is not required to contribute to the 457 Plan. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. Employee contributions to the 457 Plan were approximately \$827,000 and \$786,000 for the years ended December 31, 2020 and 2019, respectively.

The District also sponsors the MPMC 401(a) Plan (the 401(a) Plan). This defined contribution plan covers all employees. Employees do not contribute to this plan. The District contributes to the 401(a) Plan on a discretionary basis. The District contributions to the 401(a) Plan during the years ended December 31, 2020 and 2019, were approximately \$344,000 and \$330,000, respectively. The 401(a) Plan is administered by the District. Benefit terms, including contribution requirements, for the 401(a) Plan are established and may be amended by the District.

Employees' voluntary contributions and employer contributions are 100 percent vested. The District had a liability due to the 401(a) Plan and 457 Plan in the amounts of approximately \$170,000 and \$188,000 at December 31, 2020 and 2019, respectively.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

13. Contingencies and Commitments:

Commitment – In September 2016, the District entered into an information services agreement with Centura Health. The estimated future commitment for software upgrades and support is approximately \$475,000 through 2021. The agreement may be terminated with a 365-day written notice.

Medical malpractice claims – The District has professional liability insurance coverage with COPIC Insurance Company. The policy provides protection on a “claims-made” basis whereby claims filed in the current year are covered by the current policy. If there are occurrences in the current year, these will only be covered in the year the claim is filed if claims-made coverage is obtained in that year, or if the District purchases insurance to cover prior acts. The current professional liability insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has no deductible per claim.

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

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.

Tax, spending, and debt limitations – At the November 3, 1992, general election, Colorado voters approved an amendment to the Colorado Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR was effective December 31, 1992, and its provisions limit government taxes, spending revenues, and debt without electoral approval.

TABOR, by its terms, applies to local governments such as special districts but excludes “enterprises,” which are defined as (1) a government owned business, (2) authorized to issue its own debt, and (3) receives less than 10 percent of its annual revenue in grants from all state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR’s language in order to determine its compliance.

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.

**Kremmling Memorial Hospital District
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2020 and 2019**

14. 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 payor agreements. The following is the mix of receivables from patients and third-party payors reported by the District:

	2020	2019
Medicare	22 %	17 %
Medicaid	7	9
Other third-party payors	32	22
Patients	39	52
	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.

15. COVID-19 Pandemic:

The COVID-19 pandemic has created economic uncertainties which may negatively impact the District’s financial position. The District has incurred additional direct costs for response to COVID-19 and has lost revenue due to the temporary discontinuance or reduction of service lines.

The District received government grants as described in Note 11 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, increasing Medicare reimbursement by 2 percent.

The District also entered into the PPP loan described in Note 8 above, also a part of the federal government’s response to the pandemic.

As of December 31, 2020, the District had reserves representing 166 days of operating expenses.

The District also received Medicare accelerated payments of approximately \$4,293,000, which will be paid back over 17 months with no interest beginning in April 2021.

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

SINGLE AUDIT

AUDITORS' SECTION



DINGUS | ZARECOR & ASSOCIATES PLLC
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
Kremmling Memorial Hospital District
Kremmling, 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 Kremmling Memorial Hospital District (the District), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated July 23, 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 deficiency in internal control, described in the accompanying schedule of audit findings and questioned costs that we consider to be a material weakness. (2020-01)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 accompany schedule of audit findings and questioned costs. 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
July 23, 2021



DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Kremmling Memorial Hospital District
Kremmling, Colorado

Report on Compliance for the District's Major Federal Program

We have audited Kremmling Memorial Hospital District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2020. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the District's major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Kremmling Memorial Hospital District
Schedule of Audit Findings and Questioned Costs
Year Ended December 31, 2020**

Opinion on the District's Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the District's major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the District's major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
July 23, 2021

**Kremmling Memorial Hospital District
 Schedule of Audit Findings and Questioned Costs (Continued)
 Year Ended December 31, 2020**

Section I Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

**Kremmling Memorial Hospital District
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2020**

Section II – Financial Statement Findings

2020-001 Auditor Detected Adjusting Journal Entries

Criteria	<input type="checkbox"/> Compliance Finding <input type="checkbox"/> Significant Deficiency <input checked="" type="checkbox"/> Material Weakness No significant or material adjusting journal entries should be detected by auditors during the audit process.
Condition	There were significant adjusting journal entries proposed related to cash, accounts receivable, taxes receivable, deferred inflows of resources, capital accounts payable, and accrued compensation.
Context	The finding appears to be a <i>systemic</i> incident.
Effect	Financial reports may be inaccurate and could affect management and Board decision making.
Cause	Several account reconciliations were not accurately prepared at fiscal year end.
Recommendation	We recommend adequate account reconciliations be performed timely to ensure financial statements presented to management and the Board are accurate.
Views of responsible officials and planned corrective action.	Kremmling Memorial Hospital District will continue improve processes with the new accounting system, add additional staff to share duties with month and year end closing of the financial accounting information, and review all account reconciliations in a timely fashion.

**Kremmling Memorial Hospital District
Schedule of Audit Findings and Questioned Costs (Continued)
Year Ended December 31, 2020**

Section III – Federal Award Findings and Questioned Costs

There are no matters reported for 2020. Therefore, no corrective action plan is necessary, nor has one been prepared.

AUDITEE'S SECTION

**Kremmling Memorial Hospital District
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10.766	N/A	\$ 5,792,140
Total U.S. Department of Agriculture			5,792,140
U.S. Department of Health and Human Services			
Coronavirus State Hospital Improvement Program	93.301		
Pass-through program from: Colorado Rural Health Center		H3JRH37428-01-00	74,419
National Bioterrorism Hospital Preparedness Program	93.889		
Pass-through program from: Colorado Hospital Association		U3REP200618-01-08	7,230
Total U.S. Department of Health and Human Services			81,649
Total expenditures of federal awards			\$ 5,873,789

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Kremmling Memorial Hospital District (the District) under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

See accompanying independent auditors' report. The accompanying notes are an integral part of this schedule.



**Kremmling Memorial Hospital District
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020**

The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II – Financial Statement Findings.

Current year audit findings:

2020-001 Auditor Detected Adjusting Journal Entries

*Corrective action
planned:*

In 2020 the district purchased a new accounting software; it was not fully implemented until 2021. The new system will make the month end process more efficient, by streamlining a lot of the manual processes the previous system had. This will allow finance staff to have more time each month reconciling after journal entries are entered. A senior staff accountant position was created in 2021 to ensure this month end process is being completed timely and accurate. A Financial Analyst position was also created in 2021. This will help shift all the responsibilities from one person in the organization to provide all needed financial data to the organization and users. The need for financial information or other request interferes with the timing of the month end process. The Fixed assets will be loaded into Lawson by the end of the 3rd quarter. This will give staff time to review with auditors to ensure we agree on the beginning balances.

*Anticipated completion
date:*

10/1/2021 4th quarter

*Contact person
responsible for
corrective action:*

Derick Lorentz, CFO, Mikealena Horner Director of finance

**Kremmling Memorial Hospital District
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020**

The audit for the year ended December 31, 2019, reported no audit findings, nor were there any unresolved findings from periods ended December 31, 2018, or prior. Therefore, there are no matters to report in this schedule for the year ended December 31, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Kremmling Memorial Hospital District
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2020

	2020	Preliminary and Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue, net of provision for bad debts	\$ 38,156,885	\$ 41,362,000	\$ (3,205,115)
Grants	-	50,000	(50,000)
Other	367,815	425,000	(57,185)
Total operating revenues	38,524,700	41,837,000	(3,312,300)
<i>Operating expenses</i>			
Salaries and wages	16,275,951	17,710,000	1,434,049
Employee benefits	4,722,678	7,330,000	2,607,322
Professional fees and other purchased services	5,701,428	5,469,700	(231,728)
Supplies	3,314,197	3,170,800	(143,397)
Depreciation and amortization	1,681,844	1,758,000	76,156
Insurance	263,415	115,000	(148,415)
Utilities	406,858	507,000	100,142
Repairs and maintenance	54,265	185,000	130,735
Leases and rentals	359,407	525,000	165,593
Provider fees	954,103	700,000	(254,103)
Other	399,827	1,089,000	689,173
Total operating expenses	34,133,973	38,559,500	4,425,527
<i>Operating income</i>	4,390,727	3,277,500	1,113,227
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	1,003,294	950,000	53,294
CARES Act Provider Relief Fund	4,633,857	-	4,633,857
COVID-19 grants	81,649	-	81,649
Interest income	51,259	-	51,259
Interest expense	(870,600)	(881,000)	10,400
Total nonoperating revenues, net	4,899,459	69,000	4,830,459
Change in net position	\$ 9,290,186	\$ 3,346,500	\$ 5,943,686

See accompanying independent auditors' report.