

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

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

For the Years Ended December 31, 2020 and 2019

CHADWICK, STEINKIRCHNER, DAVIS & Co., P.C.
Consultants and Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

May 27, 2021

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

We have audited the accompanying financial statements of Rangely Hospital District d.b.a. Rangely District Hospital (the Hospital), as of and for the years ended December 31, 2020, and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of December 31, 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.

Other Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

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

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

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

Grand Junction, Colorado

Management Discussion and Analysis

The Discussion and analysis of the Rangely District Hospital's (the Hospital) financial performance provides readers with an overall review of the financial activities of the Hospital for the years ended December 31, 2020 and 2019. The intent of this discussion and analysis is to look at the Hospital's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Hospital's financial performance.

Financial Highlights

- The Hospital's assets exceeded liabilities and deferred inflows of resources by \$13,860,566 in 2020, and by \$10,146,379 in 2019.
- In 2020, the Hospital's total cash increased by \$3,252,668, or 47%, over 2019, while in 2019, total cash increased by \$2,151,934, or 44%, over 2018.
- The December 31, 2020 ending net position is \$3,589,820 greater than in 2019, and the December 31, 2019 ending net position balance is \$816,999 more than in 2018. The change is due primarily to a mill levy increase that was passed in 2019 and went into effect for CY 2020, and to funding received that was related to the COVID-19 Pandemic.
- In December of 2019, the Hospital began offering behavioral health services in partnership with Senior Life Solutions. In addition to patient revenues, this new department allows the Hospital to allocate more of its square footage for reimbursement on the Medicare Cost Report. 2020 was the first full year in which services were offered, though utilization was affected by the ongoing COVID-19 Pandemic.

Impact of the COVID-19 Pandemic

Despite the increase in net position of \$3,589,820, the Hospital's net patient service revenue decreased from where it had been in 2019. 2020 patient revenue itself was down 5% from 2019 and 3% from budget. The Swing Bed (down 15% from 2019 and 22% from budget) and Assisted Living (down 8% from 2019 and 11% from budget) departments experienced decreases in census that were difficult to increase due to the Pandemic and restrictions on residents in such facilities. Clinic (down 19% from 2019 and 24% from budget) and Emergency Room (down 37% from 2019 and 32% from budget) were also significantly affected.

The Hospital received funding related to the COVID-19 Pandemic in several forms, but the two main sources include:

- A Small Business Administration Paycheck Protection Program loan for \$1.6 million. This loan went entirely toward employees' payroll and was forgiven in December 2020.
- Two distributions, totaling about \$3.9 million, from the Department of Health and Human Services through the CARES Act Provider Relief Fund. The hospital recognized about \$175,000 in revenue from the funds in 2020, and is taking a conservative approach with what it is considering for COVID-19-related expenses. The remaining balance is being recognized as unearned revenues.

Using this Annual Report

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

Overview of the Hospital's Financial Statements

Fund Financial Statements

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

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

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

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 27 of this report.

Budgetary Comparisons

The Hospital adopts an annual appropriated budget for the Hospital Fund. A budgetary comparison statement has been provided for the Hospital fund on page 28 of this report.

Reporting the Hospital as a Whole

Net Position

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

The following table provides a summary of the Hospital's net position for 2020 and 2019.

	Business-Type Activities		
	2020	Restated 2019	2018
Assets			
Current and Other Assets	\$ 27,118,901	\$ 20,696,714	\$ 17,727,646
Capital Assets	20,009,628	21,345,057	22,836,245
Total Assets	<u>47,128,529</u>	<u>42,041,771</u>	<u>40,563,891</u>
Liabilities			
Current and Other Liabilities	8,641,224	4,111,196	3,537,264
Long-term liabilities	17,646,326	20,125,685	22,540,240
Total Liabilities	<u>26,287,550</u>	<u>24,236,881</u>	<u>26,077,504</u>
Deferred Inflows of Resources	<u>6,980,413</u>	<u>7,534,144</u>	<u>5,032,640</u>
Net Position			
Net Investment in Capital Assets	(178,306)	(1,195,628)	(2,101,005)
Restricted	4,952,384	4,922,523	5,497,732
Unrestricted	9,086,488	6,543,851	6,057,020
Total Net Position	<u>\$ 13,860,566</u>	<u>\$ 10,270,746</u>	<u>\$ 9,453,747</u>

The significant changes in assets and liabilities in 2020 were as follows:

- Total assets for the Hospital were \$47,128,529 at the end of 2020, an increase of \$5,086,758. Current assets increased by \$6,422,197, due to increased tax revenues, funding received related to the COVID-19 Pandemic, and high Medicare utilization of Inpatient and Skilled Nursing services.
- Total liabilities increased from \$24,236,881 in 2019, to \$26,287,550 in 2020, a change of \$2,050,669. Current liabilities increased from \$4,111,196 to \$8,641,224. The main reasons for this change are the Medicare cost report payable, and the funds received from the Department of Health and Human Services as part of the CARES Act Provider Relief program.

Restricted funds of \$4,952,384 represent another significant portion of the Hospital's net position. These funds represent resources that are subject to external restrictions on how they may be used. The restrictions are for the endowed scholarship funds (\$43,968) bond reserves (\$4,341,218), and TABOR emergency reserve funds (\$567,198).

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

Operating Results and Changes in the Hospital's Net Position

The Hospital's net position increased by \$3,589,820 in 2020, as seen in the table below.

	Business-Type Activities		
	2020	Restated 2019	2018
Operating Revenues			
Charge for services	\$ 13,160,735	\$ 13,333,295	\$ 13,379,611
Other Revenue	371,722	160,493	264,345
Non-Operating Revenues (Expenses)			
Property Taxes	7,640,429	5,204,967	5,113,303
Investment Earnings	45,098	114,565	113,237
Interest Expense	(1,205,025)	(1,298,696)	(1,435,129)
Other Revenues (expenses)	58,896	15,281	48,337
Paycheck Protection Program	1,637,106	-	-
Total Revenues	21,708,961	17,529,905	17,483,704
Expenses			
Hospital Operations			
Salaries and Benefits	8,141,564	7,844,729	7,810,594
Outside Services	2,615,349	1,946,207	1,152,394
Depreciation	2,053,506	2,006,306	2,020,232
Other	2,708,611	2,435,798	3,427,304
Subtotal:	15,519,030	14,233,040	14,410,524
Administration			
Salaries and Benefits	1,096,689	1,143,149	1,741,443
Other	1,503,422	1,187,813	1,259,933
Subtotal:	2,600,111	2,330,962	3,001,376
Total Expenses	18,119,141	16,564,002	17,411,900
Change in Net Position	\$ 3,589,820	\$ 965,903	71,804

The operating income of the hospital decreased by \$172,000 from \$13,333,295 in 2019 to \$13,160,735. Other Revenue increased due to the receipt of several grants related to the ongoing COVID-19 Pandemic. Patient revenue in several departments was down more significantly; however, the hospital cared for an unusual number of Acute and Skilled Nursing patients and revenue was much higher in these departments.

Non-operating revenues were significantly higher in 2020 than in 2019. Two of the main drivers of the increase are an 8-mill increase in property taxes, which was approved by Rangely voters in November of 2019 and led to about \$2.5 million in additional non-operating revenue, and a Small Business Administration Paycheck Protection Program loan of \$1,637,106.

One of the main increases in expenses was in Outside Services. Near the middle of 2019, the Hospital had to increasingly rely on the services of agency nurses instead of employed nurses. Additionally, in the beginning of 2020 the Home Health and Physical Therapy departments were required to pay agency nurses and Physical Therapists to cover labor needs. The planned departure of two physicians necessitated the service of recruiting agencies to find replacements. Finally, the hospital decided in 2020 to convert its family medicine practice to a Rural Health Center and to bring billing back in-house after having been outsourced. The Hospital hired a consultant to help in doing so.

Financial Analysis of the Hospital's Fund

The Fund is accounted for using the accrual basis of accounting.

As of December 31, 2020, the total fund equity balance of the Hospital's proprietary fund was \$13,860,566. Approximately 66% of this consists of unrestricted fund equity, which is available as working capital and for current spending in accordance with the purpose of the Hospital. (\$178,306) is invested in capital assets, net of related debt. The remainder of the fund equity is reserved to indicate that it is not available for new spending because it is restricted for the following purposes: A \$567,198 Taxpayer Bill of Rights (TABOR) emergency reserve mandated by the state's Constitution; a \$43,968 donor-restricted endowment for scholarships; money reserved for debt service, and excess bond tax revenues collected over related bond expenditures, totaling \$4,341,218.

The Hospital had total revenues of \$22,913,986, which included grants of \$58,896, other revenues of \$371,722, and expenses of \$19,324,166.

Budgetary Highlights

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

	2020 Hospital Fund Budget				
	Original Budget	Amendments	Final Budget	Actual	Variance Over (Under)
Beginning Net Position	\$ 10,529,201	\$ -	\$ 10,529,201	\$ 10,270,746	\$ (258,455)
Revenues	\$ 21,038,440	\$ 632,630	\$ 21,671,070	\$ 22,913,987	\$ 1,242,917
Expenditures	\$ 19,409,334	\$ 1,000,000	\$ 20,409,334	\$ 20,043,233	\$ (366,101)
Ending Net Position	<u>\$ 12,158,307</u>	<u>\$ 367,370</u>	<u>\$ 11,790,937</u>	<u>\$ 13,141,500</u>	\$ 1,350,563

Overall revenues were 6% over budget for the year.

Overall expenses were about 2% below budget for the year. Both salaries and benefits (2% below budget) and travel (36% below budget) were significant drivers of this.

Capital Asset and Debt Administration

Capital Assets

The Hospital's investment in capital assets for its governmental activities as of December 31, 2020, totaled (\$178,306), net of accumulated depreciation and related debt. This investment includes all land, buildings, plant, and equipment. The total increase in investment in capital assets for the current year was \$1,017,322.

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

Long-Term Debt

During the year ended December 31, 2019, the Hospital had bonds and a capital lease payable of \$20,187,934. Additional information concerning the Hospital's long-term debt can be found in Note F.

Economic Factors and Other Matters

Other Matters

The Following factors are expected to have a significant effect on the Hospital's financial position and results of operations and were considered in developing the 2021 budget:

- Voters approved a mill levy increase from 5.05 to 13.05 mills. Though this yielded about \$2.5 million more in tax revenue compared to 2019, the assessed value of the district dropped by about 15% for the year 2021. This led to a decrease of about \$550,000 in anticipated operating tax revenue.
- The COVID-19 Pandemic remains ongoing, and Rangely experienced a surge in cases in late 2020. This has affected utilization and revenue in the early months of 2021.

Discussion of currently known facts, decisions, or conditions of future significance

- The Hospital is in the process of refinancing its 2011 bonds, effective November 1, 2021, to reduce the interest rate and save taxpayers money on taxes. The anticipated savings have a net present value of about \$2,689,000.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

December 31,

	2020	Restated 2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 13,962,997	\$ 6,957,068
Investments	171,076	176,152
Board designated investments	10,475	3,415
Patient accounts receivable, net of contractual and bad debts allowance of \$1,401,154 and \$1,871,987	747,370	854,535
Property taxes receivable	3,180,670	3,735,585
Property taxes receivable - debt service	3,799,743	3,798,559
Other receivables	8,904	-
Inventories	592,688	586,957
Prepaid expenses and other current assets	259,793	113,145
Total current assets	22,733,716	16,225,416
Noncurrent Cash and Investments		
Restricted for debt service	4,341,218	4,427,522
Donor restricted investments	43,968	43,776
Total noncurrent cash and investments	4,385,186	4,471,298
Capital Assets		
Capital assets, non-depreciable	463,480	515,243
Capital assets, depreciable	19,512,308	20,787,146
Intangible assets, net of accumulated amortization	33,840	42,668
Total capital asset, net of accumulated depreciation	20,009,628	21,345,057
Total assets	\$ 47,128,530	\$ 42,041,771

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

	2020	Restated 2019
Liabilities		
Current Liabilities		
Accounts payable	\$ 433,704	\$ 446,592
Estimated third-party payor settlements	874,073	306,460
Accrued expenses		
Salaries and wages	296,346	222,645
Employee benefits	534,973	480,597
Interest	193,655	208,796
Unearned revenues	3,766,865	31,106
Current maturities of long-term debt	2,541,608	2,415,000
Total current liabilities	<u>8,641,224</u>	<u>4,111,196</u>
Long-term debt, less current maturities	17,646,326	20,125,685
Total liabilities	<u>26,287,550</u>	<u>24,236,881</u>
Deferred Inflows of Resources		
Deferred inflows - property taxes	3,180,670	3,735,585
Deferred inflows - property taxes, debt service	3,799,743	3,798,559
Total deferred inflows of resources	<u>6,980,413</u>	<u>7,534,144</u>
Net Position		
Net investment in capital assets	(178,306)	(1,195,628)
Restricted		
TABOR reserve	567,198	451,225
Bond reserves	4,341,218	4,427,522
Scholarship fund	43,968	43,776
Unrestricted	9,086,489	6,543,851
Total net position	<u>13,860,567</u>	<u>10,270,746</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 47,128,530</u>	<u>\$ 42,041,771</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended December 31,

	2020	Restated 2019
Operating Revenues		
Net patient service revenue	\$ 13,160,735	\$ 13,333,295
Other revenue	371,722	160,493
Total operating revenues	<u>13,532,457</u>	<u>13,493,788</u>
Operating Expenses		
Hospital operations		
Salaries and wages	6,348,983	6,177,639
Employee benefits	1,792,580	1,667,090
Medical Supplies	792,068	700,899
Non-medical supplies	238,824	225,627
Outside services	2,615,349	1,946,207
Repairs and maintenance	170,372	123,014
Utilities	262,076	243,879
Other operating expenses	1,245,271	1,142,379
Depreciation	2,053,506	2,006,306
Total hospital operating expenses	<u>15,519,029</u>	<u>14,233,040</u>
Administration		
Salaries and wages	1,034,429	1,088,964
Employee benefits	62,260	54,185
Non-medical supplies	38,048	28,324
Outside services	537,789	474,552
Utilities	80,367	80,553
Other operating expenses	838,390	595,556
Depreciation	8,828	8,828
Total administrative operating expenses	<u>2,600,111</u>	<u>2,330,962</u>
Total operating expenses	<u>18,119,140</u>	<u>16,564,002</u>
Operating Loss	<u>(4,586,683)</u>	<u>(3,070,214)</u>
Non-operating Revenues (Expenses)		
Property taxes - general	3,918,159	1,405,237
Property taxes - bond	3,722,270	3,799,730
Investment income	45,098	114,565
Payment protection program revenue	1,637,106	-
Grants	58,896	15,281
Interest expense	(1,205,025)	(1,298,696)
Total nonoperating revenues (expenses), net	<u>8,176,504</u>	<u>4,036,117</u>
Change in Net Position	3,589,821	965,903
Beginning Net Position	10,270,746	9,453,747
Prior period adjustment	-	136,335
Change in Accounting Principle	-	(285,239)
Beginning Net Position, Restated	<u>10,270,746</u>	<u>9,304,843</u>
Ending Net Position	<u>\$ 13,860,567</u>	<u>\$ 10,270,746</u>

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

Rangely Hospital District
d.b.a. Rangely District Hospital
STATEMENT OF CASH FLOWS

For the year ended December 31,

	2020	Restated 2019
Cash Flows from Operating Activities		
Cash received from patients and third party payors	\$ 13,835,513	\$ 15,297,900
Cash payments for supplies, goods, and services	(6,844,383)	(5,410,202)
Cash payments for employees	(9,253,390)	(8,956,839)
Other receipts from operations	371,722	160,493
Net Cash Provided by Operating Activities	<u>(1,890,538)</u>	<u>1,091,352</u>
Cash Flows from Noncapital Financing Activities		
Property taxes	7,640,429	5,204,967
Net Cash Provided by Noncapital Financing Activities	<u>7,640,429</u>	<u>5,204,967</u>
Cash Flows from Capital and Related Financing Activities		
Interest payments	(1,205,025)	(1,298,696)
Principal payments on long-term debt	(2,455,516)	(2,345,069)
Grants and contributions	5,431,761	17,303
Purchase of capital assets	(644,408)	(523,947)
Net Cash Used for Capital and Related Financing Activities	<u>1,126,812</u>	<u>(4,150,409)</u>
Cash Flows from Investing Activities		
Purchase of investments	84,128	(127,453)
Interest income	45,098	126,533
Net Cash Provided Used for Investing Activities	<u>129,226</u>	<u>(920)</u>
Net Increase in Cash and Cash Equivalents	7,005,929	2,144,990
Cash and Cash Equivalents, Beginning of Year	<u>6,957,068</u>	<u>4,812,078</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,962,997</u>	<u>\$ 6,957,068</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (4,586,683)	\$ (3,070,214)
Depreciation	2,053,506	2,006,306
Amortization	8,828	8,828
Disposal of capital assets	20,268	-
Bad debts expense	(470,832)	931,987
(Increase) decrease in patient accounts receivable	1,145,610	1,032,618
(Increase) decrease in other receivables	(8,904)	-
(Increase) decrease in inventory	(5,731)	8,315
(Increase) decrease in prepaids and other current assets	(146,648)	6,632
Increase (decrease) in accounts payable	(12,888)	190,026
Increase (decrease) in accrued expenses	112,936	(23,146)
Cash Provided by Operating Activities	<u>\$ (1,890,538)</u>	<u>\$ 1,091,352</u>
Non-Cash Effects		
Financing activities - capital lease	102,765	-
Investing activities - prior period recognition of equity investment:	-	(136,335)

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Financial Reporting Entity

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

The Rangely District Hospital Foundation, a Colorado nonprofit organization was established on August 27, 2020 as a separate entity from the Hospital. The Foundation has applied to be an IRS 501 (c)(3) organization. It was created to conduct or support activities for the benefit of the Hospital. The Hospital agrees to provide administrative support as per an agreement between the two entities. The Foundation in will be presented as a discreetly presented component unit in future years. There was minimal activity during the year 2020.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

Basis of accounting refers to when revenues or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary (enterprise) funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows of resources associated with the operation of a fund are included on the statement of net position. Net position is categorized as invested in capital assets, restricted and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Hospital uses the accrual basis of accounting.

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

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

3. Cash and Cash Equivalents

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

4. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposits, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

5. Allowance for Uncollectible Receivables

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

6. Supplies Inventory

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

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7. Use of Estimates

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

8. Property and Equipment

Capital assets are defined by the Hospital as assets with initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

8. Compensated Absences

It is the Hospital's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be taken after December 31, 2020, or paid upon separation from service. A short-term liability for accrued vacation benefits has been recorded.

9. Net Patient Service Revenue

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

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Medicare

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reported by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost report have been audited by the Medicare administrative contractor through December 31, 2018.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost report by the Hospital and audits thereof by the Medicaid administrative contractor.

Anthem Blue Cross

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

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

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

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

- Prior to the first Board meeting in October, the chief financial officer submits to the Hospital directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain the taxpayers' comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- Formal budgetary integration is employed as a management control device during the year.
- The budget for the Hospital is adopted on a basis, which differs from GAAP in that acquisitions of fixed assets are included as expenditures, and depreciation is excluded from expenses.
- Appropriations lapse at the end of each calendar year.
- The Hospital directors may authorize supplemental appropriations during the year. There was one supplemental appropriation for the year ended December 31, 2020.

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NOTE C – CONCENTRATION OF CREDIT RISK

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

	2020	2019
Medicare	11%	11%
Medicaid	7%	2%
Other third-party payors	25%	23%
Self-pay	57%	64%

NOTE D – PROPERTY TAXES

Property Taxes

The Hospital receives property and specific ownership taxes to supplement the cost of operations. This property tax is recognized by the Hospital as a receivable and deferred revenue when levied. Property taxes for 2020 collectable in 2021, respectively, were levied by the County Commissioners on December 15, 2020. Property taxes attach as an enforceable lien on January 1, and are due in total April 30, or in equal installments February 28 and June 15 at the option of the taxpayer. The County Treasurer remits taxes collected to the District by the 10th day of the month following collection.

Revenue recognized

Local property taxes levied for 2019, which were collected in 2020, are recognized as revenue in these financial statements as shown below:

	<u>Assessed Valuation</u>	<u>Mill Levy</u>	<u>Amount of Taxes</u>		<u>Percent Collected</u>
			<u>Levied</u>	<u>Collected</u>	
General	\$ 286,251,660	13.050	\$3,735,585	\$3,659,073	97.95%
Debt Service	\$ 286,251,660	13.270	\$3,798,559	\$3,720,758	97.95%

Property Taxes Receivable and Deferred Inflows of Resources

Local property taxes levied in 2020 but not collectable until 2021 are reported as property taxes receivable and deferred inflows of resources.

	<u>Estimated Assessed Valuation</u>	<u>Property Mill Levy</u>	<u>Percent Collectable</u>	<u>Taxes Receivable</u>	<u>Deferred Inflow</u>
General	\$ 243,729,520	13.050	100%	\$3,180,670	\$3,180,670
Debt Service	\$ 243,729,520	15.590	100%	\$3,799,743	\$3,799,743

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NOTES TO FINANCIAL STATEMENTS

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NOTE E – NET POSITION

Net position is available for the following purposes:

	2020	2019
Net investment in capital assets	\$ (178,307)	\$ (1,195,628)
Restricted net position		
TABOR emergency reserves	567,198	451,225
Bond reserves	4,341,218	4,427,522
Permanently restricted		
Scholarship endowment	43,968	43,776
Unrestricted net position	9,086,489	6,543,851
Total	\$ 13,860,566	\$ 10,270,746

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

	2020	2019
Investment in perpetuity	\$ 39,000	\$ 39,000
Income available for scholarships	4,968	4,776
Total	\$ 43,968	\$ 43,776

NOTE F – CASH AND INVESTMENTS

The carrying amounts of deposits and investments at December 31, 2020 are as follows:

	2020	2019
Cash on hand	\$ 969	\$ 669
Cash with the County Treasurer	21,459	12,793
Deposits	13,940,569	6,943,606
Investments	4,566,337	4,650,865
	\$ 18,529,734	\$ 11,607,933

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

	2020	2019
Cash and cash equivalents	\$ 13,962,997	\$ 6,957,068
Investments	171,076	176,152
Board designated investments	10,475	3,415
Donor restricted funds	43,968	43,776
Restricted for debt service	4,341,218	4,427,522
	\$ 18,529,734	\$ 11,607,933

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Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. State statute requires that any deposits in excess of federal depository or other insured amounts be collateralized by U.S. Government securities in the name of the Hospital. Statutes also require that the market value of the collateral be at least 102% of the excess deposits. The Hospital's deposit policy does not further restrict bank deposits or limit investment deposits.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2020, the Hospital's deposits were entirely covered by FDIC and PDPA.

Investments

The Hospital's investments are reported at fair value and net asset value (NAV) per share. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Hospital is authorized by statute to invest funds in obligations of the United States and certain U.S. government agency securities; certain general and revenue obligations of any state of the United States; local government investment pools; certain money market funds; commercial paper; written repurchase and reverse repurchase agreements collateralized by certain authorized securities; certain guaranteed investment contracts, and certain U.S. dollar denominated corporate or bank security.

The Hospital had \$4,447,624 invested in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. At December 31, 2020 the Hospital's investment in COLOTRUST was rated AAAM by Standard & Poor's.

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The Hospital is a founding member of Western Healthcare Alliance, a group of rural hospitals, in 1989 through that organization became an owner of Healthcare Management, LLC (The Company) in 1993. The Company provides collection agency services through A-1 Collections and healthcare consulting services through Western Healthcare Alliance. The Hospital has a 1.03% Equity Interest in the LLC. The Equity Interest value is \$88,462 as of December 31, 2020 and the hospital received a dividend of \$18,470 during 2020 based on K-1 information and is considered a Level 2 investment.

The Hospital owns 60 shares of Series A Preferred Stock with a value of \$510.85 per share, based on an appraisal of the HSS, Inc. as of December 31, 2013, equal to \$30,651. The corporation has the right at any time to acquire the stock at 110% of the current appraised fair market value of the 60 shares. The corporation was created in 1988 and was activated in 2009 as a for-profit corporation. The corporation is the successor corporation of Hospital Shared Services of Colorado founded as a not-for-profit corporation in 1967 and functioning as a hospital cooperative. The company provides various types of services including professional and staffing security, systems integration, biomedical engineering, medical equipment maintenance and safety engineering throughout the United States.

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December 31, 2020

NOTE G – CAPITAL ASSETS

At December 31, 2020 capital asset transactions and balances include the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 463,118	\$ -	\$ -	\$ 463,118
Construction in progress	52,125	-	(51,763)	362
Total non-depreciable assets	<u>515,243</u>	<u>-</u>	<u>(51,763)</u>	<u>463,480</u>
Capital Assets, depreciable				
Land improvements	602,458	-	-	602,458
Hospital building	29,239,680	-	-	29,239,680
Hospital equipment	10,847,876	753,039	(452,576)	11,148,339
Residence buildings	231,218	-	-	231,218
Residence furnishings	18,869	-	-	18,869
Clinic equipment	71,291	-	-	71,291
Assisted living facility	1,966,661	45,897	-	2,012,558
Total depreciable assets	<u>42,978,053</u>	<u>798,936</u>	<u>(452,576)</u>	<u>43,324,413</u>
Less accumulated depreciation				
Land improvements	(392,076)	(61,613)	-	(453,689)
Hospital building	(10,685,219)	(1,409,046)	-	(12,094,265)
Hospital equipment	(9,076,187)	(517,631)	432,308	(9,161,510)
Residence buildings	(183,781)	(5,550)	-	(189,331)
Residence furnishings	(18,869)	-	-	(18,869)
Clinic equipment	(75,697)	-	-	(75,697)
Assisted living facility	(1,759,078)	(59,666)	-	(1,818,744)
Total accumulated depreciation	<u>(22,190,907)</u>	<u>(2,053,506)</u>	<u>432,308</u>	<u>(23,812,105)</u>
Total depreciable assets, net	20,787,146	(1,254,570)	(20,268)	19,512,308
Total net capital assets	<u>\$ 21,302,389</u>	<u>\$ (1,254,570)</u>	<u>\$ (72,031)</u>	<u>\$ 19,975,788</u>
Intangible assets				
	Beginning Balance	Additions	Deletions	Ending Balance
Medical Records	\$ 42,668	\$ -	\$ 8,828	\$ 33,840

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At December 31, 2019 capital asset transactions and balances include the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, non-depreciable				
Land	\$ 463,118	\$ -	\$ -	\$ 463,118
Construction in progress	6,750	45,375	-	52,125
Total non-depreciable assets	<u>469,868</u>	<u>45,375</u>	<u>-</u>	<u>515,243</u>
Capital Assets, depreciable				
Land improvements	602,458	-	-	602,458
Hospital building	29,239,680	-	-	29,239,680
Hospital equipment	10,370,997	476,879	-	10,847,876
Residence buildings	231,218	-	-	231,218
Residence furnishings	18,869	-	-	18,869
Clinic equipment	71,291	-	-	71,291
Assisted living facility	1,964,969	1,692	-	1,966,661
Total depreciable assets	<u>42,499,482</u>	<u>478,571</u>	<u>-</u>	<u>42,978,053</u>
Less accumulated depreciation				
Land improvements	(330,652)	(61,424)	-	(392,076)
Hospital building	(9,274,928)	(1,410,291)	-	(10,685,219)
Hospital equipment	(8,616,396)	(459,791)	-	(9,076,187)
Residence buildings	(178,231)	(5,550)	-	(183,781)
Residence furnishings	(18,869)	-	-	(18,869)
Clinic equipment	(75,309)	(388)	-	(75,697)
Assisted living facility	(1,690,216)	(68,862)	-	(1,759,078)
Total accumulated depreciation	<u>(20,184,601)</u>	<u>(2,006,306)</u>	<u>-</u>	<u>(22,190,907)</u>
Total depreciable assets, net	<u>22,314,881</u>	<u>(1,527,735)</u>	<u>-</u>	<u>20,787,146</u>
Total net capital assets	<u>\$ 22,784,749</u>	<u>\$ (1,482,360)</u>	<u>\$ -</u>	<u>\$ 21,302,389</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Intangible assets				
Medical Records	<u>\$ 51,496</u>	<u>\$ -</u>	<u>\$ 8,828</u>	<u>\$ 42,668</u>

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NOTE H – LONG-TERM DEBT

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

Long-term liabilities activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2011 General Obligation Bonds	\$ 22,270,000	\$ -	\$ 2,415,000	\$ 19,855,000	\$ 2,480,000
Premium on Bonds	270,685	-	40,516	230,169	40,516
Capital lease	-	102,765	-	102,765	61,608
	<u>\$ 22,540,685</u>	<u>\$ 102,765</u>	<u>\$ 2,455,516</u>	<u>\$ 20,187,934</u>	<u>\$ 2,582,124</u>

Long-term liabilities activity for the year ended December 31, 2019, was as follows:

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

General Obligation Bonds

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

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

Maturities on the bonds are as follows:

Year	Principal	Interest	Total
2021	\$ 2,480,000	\$ 1,144,100	\$ 3,624,100
2022	2,625,000	1,032,500	3,657,500
2023	2,770,000	885,000	3,655,000
2024	2,950,000	718,800	3,668,800
2025	3,000,000	541,800	3,541,800
2026	6,030,000	361,800	6,391,800
	<u>\$ 19,855,000</u>	<u>\$ 4,684,000</u>	<u>\$ 24,539,000</u>

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NOTES TO FINANCIAL STATEMENTS

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NOTE I – LEASES

Capital Leases

During the current fiscal year, the District entered into a three-year lease agreement as a lessee for the acquisition and use of a phone system for \$102,765. As of December 31, 2020, the value of the lease liability was \$102,765. The District is required to make monthly principal and interest payments of \$3,000. The lease has an interest rate of 3%. In addition, the District will purchase the equipment for \$1 at the end of the lease term. The equipment has a three-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$74,219 and had accumulated amortization of \$28,546. During 2020 and into 2021 the District withheld payment on the lease due to a dispute in related service charges. The current portion of the lease represents both 2020 and 2021 principle payments. Interest in the amount of \$2,449 has been accrued on the lease. The District believes they will be successful in their dispute and will pay the current portion due during 2021. The District further believes there will be no acceleration of long term portions of the debt or other acceleration penalties.

The future principle and interest lease payments as of December 31, 2020 are as follows:

Year	Principal	Interest	Total
2021	\$ 61,608	\$ 4,389	\$ 65,997
2022	35,182	817	35,999
2023	5,975	24	5,999
	\$ 102,765	\$ 5,230	\$ 107,995

Operating Leases

The Hospital has operating leases for certain equipment for administrative and patient services. The leases have remaining lease terms of 1 year to 5 years. During 2020 and 2019 the District had lease expense of \$147,325 and \$145,118.

The five year projected lease expense is as follows:

Year	Lease Payments
2021	\$ 148,492
2022	148,492
2023	148,492
2024	148,492
2025	148,492
	\$ 742,460

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NOTE J – DEFINED CONTRIBUTION PLANS

The Hospital provides pension benefits for all of its full-time and part-time employees through two retirement plans: a Government Eligible 457 plan, the Rangely District Hospital Deferred Compensation Plan for employee contributions; and a defined contribution plan, the Rangely District Hospital Employees' Pension Plan for employer contributions. The retirement plans are administered by American United Life Insurance Company (OneAmerica). The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of Plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they have been excluded from these financial statements.

Under the Government Eligible 457 plan, the Rangely District Hospital Deferred Compensation Plan, the employee is eligible to participate after the first day of the month coinciding with or next following the date the employee completes three consecutive months of services. The employee may elect to reduce their compensation by a specific percentage or dollar amount and have that amount contributed to the plan. The employee is always 100% vested in all their accounts in the plan. Total employee contributions were \$266,953 (2020) and \$280,610 (2019).

Under the Rangely District Hospital Employees' Pension Plan, the employee is eligible to participate after one year of service that involves over 1,000 hours and the employee must continue to work a minimum of 1,000 hours per year to remain eligible for the plan. Employee participation will begin on January 1 or July 1 coinciding with or immediately following the fulfillment of the eligibility requirement. The Hospital is required to contribute 4% of the employee's wages for all eligible employees. The Hospital contributions vest at: less than two years of service, 0%; two but less than three years of service, 40%; three but less than four years of service, 60%; four but less than five years of service, 80%; and five or more years of service, 100%. The Hospital's total payroll was \$6,785,152 (2020) and \$6,722,990 (2019). The Hospital's total contributions were \$156,471 (2020) and \$171,759 (2019).

NOTE K – TABOR

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

The Hospital has not authorized nor issued debt subject to the amendment's limitations. Based on fiscal year spending for 2020, \$567,198 of the fund balance in the Hospital fund has been reserved for emergencies. In 1996, a ballot issue was proposed to and passed by the eligible voters in Rio Blanco County which allowed the Rangely District Hospital to retain revenues collected in excess of the Hospital's spending limit for the year ended December 31, 1996. In addition, the Hospital was authorized

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to collect, retain, and spend all revenues and other funds collected from any source effective January 1, 1996, and continuing thereafter.

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

NOTE L – CONTINGENCIES

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omission; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for any of the three preceding years.

Malpractice Insurance

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

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulation, specifically those relating to the Medicare and Medicaid program, can be subject to the government's review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care provider of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

NOTE M – RESTATEMENT OF BEGINNING NET POSTION

During 2020 the Hospital became aware of two equity investments previously not booked in the accounting records. For detail on the investments see Note F. The investments were recognized retroactively with an adjustment to net position. The result of this adjustment for the year ended December 31, 2019 is an increase in assets and net position of \$136,335.

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NOTE N – MEDICARE COST REPORT PAYABLE

Based on the 2020 cost report calculation, the Hospital is reporting a liability to Medicare in the amount of \$874,873. This is because the interim rate paid to the Hospital was based on the 2019 Critical Access Hospital Cost Report per diem multiplied by the estimated regular Medicare patient days. The regular Medicare patient claims are billed to Novitas Solutions, Inc., the Medicare Administrator Contractors (the MAC), and are paid as filed. The final settlement is calculated when the Medicare Critical Access Hospital Cost Report is prepared and filed. During 2020, the Hospital experienced a significant increase in patients with Medicare Advantage insurance plan coverage with claims paid to the Hospital based on the current Critical Access Hospital interim rate.

The Hospital is currently disputing billed claims that were denied in the amount of \$1,466,481. This estimated balance has not been reported as a receivable by the Hospital as of December 31, 2020 because the matter has not been settled. Per the terms of its contract with Anthem, the Hospital may resort to claim appeals and dispute resolution using mediation and binding arbitration. As of the date of the audit report, this matter has not been resolved.

SUPPLEMENTARY INFORMATION

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

BUDGETARY COMPARISON SCHEDULE

For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
Net patient service revenue	\$ 13,158,097	\$ 13,625,967	\$ 13,160,735	\$ (465,232)
Other revenue and grants	231,200	286,849	2,112,823	1,825,974
Non-operating revenues	7,649,143	7,758,254	7,640,429	(117,825)
Total Revenues	21,038,440	21,671,070	22,913,987	1,242,917
Expenditures				
Operating expenditures	15,241,059	15,848,688	16,056,308	207,620
Principal payments on debt	2,415,000	2,415,000	2,415,000	-
Interest payments on debt	1,252,775	1,252,775	1,205,025	(47,750)
Capital expenditures	500,000	835,000	366,400	(468,600)
Scholarship distributions	500	500	500	-
Contingency	-	57,371	-	(57,371)
Total Expenditures	19,409,334	20,409,334	20,043,233	(366,101)
Change in Net Position, Budgetary Basis	<u>\$ 1,629,106</u>	<u>\$ 1,261,736</u>	2,870,754	<u>\$ 1,609,018</u>
			Principal payments	2,415,000
			Depreciation and amortization expense	(2,062,334)
			Capital expenditures	366,400
			Change in Net Position, GAAP Basis	<u>\$ 3,589,820</u>

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

BUDGETARY COMPARISON SCHEDULE

For the year ended December 31, 2019

	Original Budget	Final Budget	Restated Actual	Variance Over (Under)
Revenue				
Net patient service revenue	\$ 13,925,990	\$ 13,925,990	\$ 13,333,295	\$ (592,695)
Other revenue and grants	52,700	52,700	290,339	249,607
Non-operating revenues	5,123,534	5,123,534	5,204,967	81,433
Total Revenues	19,102,224	19,102,224	18,828,601	(261,655)
Expenditures				
Operating expenditures	15,141,887	15,141,887	14,548,868	(593,019)
Principal payments on debt	2,305,000	2,305,000	2,345,069	40,069
Interest payments on debt	1,454,825	1,454,825	1,298,696	(156,129)
Capital expenditures	400,000	400,000	523,946	123,946
Scholarship distributions	1,000	1,000	-	(1,000)
Total Expenditures	19,302,712	19,302,712	18,716,579	(586,133)
Change in Net Position, Budgetary Basis	<u>\$ (200,488)</u>	<u>\$ (200,488)</u>	112,022	<u>\$ 324,478</u>
			Principal payments 2,345,069	
			Depreciation and amortization expense (2,015,134)	
			Capital expenditures 523,946	
			<u>\$ 965,903</u>	