

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

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

For the Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the, the business-type activities, and the discretely presented component unit of the Rangely Hospital District d.b.a. Rangely District Hospital (the Hospital), as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the Hospital, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statement of the Hospital for the year ended December 31, 2020 were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–10 supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Supplementary 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 accompanying budgetary comparison schedules and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

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

Chadwick, Steinkirchner, Davis & Co., P.C.
September 20, 2022

Management Discussion and Analysis

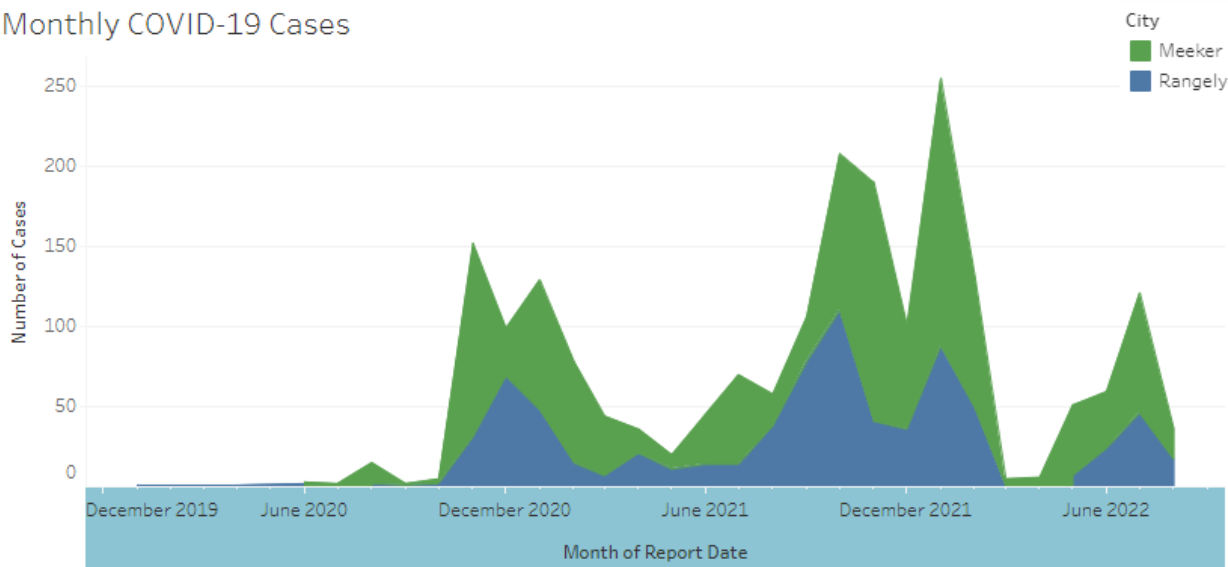
The discussion and analysis of the Rangely Hospital District's (the Hospital's) financial performance provides readers with an overall review of the financial activities of the hospital for the years ended December 31, 2021 and 2020. The intent of this discussion and analysis is to look at the Hospital's financial performance as a whole. Readers should also review the basic financial statements, the notes to the basic financial statements, and the supplementary information to enhance their understanding of the Hospital's financial performance.

Financial Highlights

1. The Hospital was able to refinance its bond with a loan from US Bank, and as such the bond Mill Levy has declined. The present value of the savings to taxpayers on the refinance is \$2,715,305.
2. The Hospital's family medicine clinic received a Rural Health Clinic designation in late March of 2021. This will improve the Hospital's reimbursement from Medicare and Medicaid patients.
3. The Hospital's assets exceeded its liabilities and deferred inflows of resources by \$17,758,231 in 2021.
4. The Hospital's total cash decreased by \$1,494,259 over 2021 compared to 2020.
5. The December 31, 2021 ending net position is \$3,897,664 greater than the ending net position in 2020. The primary reason for this change is the refinancing of the Hospital's bond.

Impact of the COVID-19 Pandemic

Monthly COVID-19 Cases



source: <https://www.rbc.us/606/COVID-19-Updates>

While the Hospital's 2021 revenue improved over 2020 revenue, the COVID-19 pandemic had an impact on patient utilization. The Hospital's district experienced surges in cases both at the beginning of 2021 and during the latter half of the year.

The Hospital received \$100,000 from the third round of the Provider Relief Fund distributions, the reporting for which will begin next year, as well as \$828,726.65 from the fourth round of Provider Relief Fund distributions.

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 the Hospital's 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. 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 service 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.

Budgetary Considerations

The Hospital adopts an annual appropriated budget for the Hospital Fund. A budgetary comparison has been provided for the Hospital fund in this report.

Reporting on 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 2021 and 2020.

	Business-Type Activities	
	2021	2020
Assets		
Current and Other Assets	\$ 21,861,898	\$ 27,118,902
Capital Assets	\$ 18,539,913	\$ 20,009,628
Total Assets	\$ 40,401,811	\$ 47,128,530
Liabilities		
Current and Other Liabilities	\$ 5,624,425	\$ 8,641,224
Long-term liabilities	\$ 16,429,207	\$ 17,646,326
Total Liabilities	\$ 22,053,632	\$ 26,287,550
Deferred Inflows of Resources	\$ 6,214,373	\$ 6,980,413
Net Position		
Net Investment in Capital Assets	\$ 4,849,949	\$ (178,306)
Restricted	\$ 733,988	\$ 4,952,384
Unrestricted	\$ 12,174,294	\$ 9,086,489
Total Net Position	\$ 17,758,231	\$ 13,860,567

The significant changes in assets and liabilities in 2021 are as follows:

1. Total assets for the Hospital were \$39,922,331 at the end of 2021, a decrease of \$5,736,484. Current assets decreased by \$5,736,484, due to decreased tax revenues, and the refinance of the Hospital bond; the money in the bond fund account was used to pay the bond off along with the loan proceeds.
2. Total Liabilities decreased from \$26,287,550 in 2021, to \$22,052,439, a decrease of \$4,235,111. Current liabilities decreased from \$26,287,550 in 2020, to \$22,052,439, a decrease of \$3,017,992; the primary reasons include the refinance of the Hospital's bond and the revenue recognized from the first Provider Relief Fund distribution, as well as the return of unused revenues.

Restricted funds of \$4,848,756 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 (\$43,974), bond reserves (\$478,721), and TABOR emergency reserve funds (\$516,257).

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 \$3,791,339, as seen in the table below.

	Business-Type Activities	
	2021	2020
Operating Revenues		
Charge for services	\$ 14,524,476	\$ 13,160,735
Other Revenue	1,614,748	371,722
Non-Operating Revenues (Expenses)		
Property Taxes	7,208,553	7,640,429
Investment Earnings	(11,006)	45,098
Interest Expense	(431,948)	(1,205,025)
Other Revenues (expenses)	74,009	58,896
Debt Issuance Costs	(97,323)	
Paycheck Protection Program	-	1,637,106
Total Revenues	22,881,509	21,708,961
Expenses		
Hospital Operations		
Salaries and Benefits	8,807,447	8,141,563
Outside Services	2,542,497	2,615,349
Depreciation	1,957,551	2,053,506
Other	2,856,949	2,708,611
Subtotal:	16,164,444	15,519,029
Administration		
Salaries and Benefits	1,189,566	1,096,689
Other	1,629,835	1,503,422
Subtotal:	2,819,401	2,600,111
Total Expenses	18,983,845	18,119,140
Change in Net Position	\$ 3,897,664	\$ 3,589,821

The operating revenue of the Hospital increased by \$1,363,741, from \$13,160,735, to \$14,524,476. Revenue improved in most departments, but there were strong revenue increases in the emergency room, lab, radiology, and treatment room departments.

Other revenue increased mainly due to recognizing revenue from the first distribution of the Provider Relief Fund. Non-operating revenues were down from 2020, in large part due to not recognizing any Paycheck Protection Program revenues. Property taxes have decreased due to the reduction in the District's assessed valuation. The hospital also paid significantly less interest in 2021 due to the refinance of its construction bond.

Outside services expense decreased in 2021 compared to 2020, as the Hospital was able to hire more of its own employees and rely less on agency Registered Nurses, but salary and benefit expense also increased, leading to an overall increase in expenses.

Financial Analysis of the Hospital's Fund

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

As of December 31, 2021, the total fund equity balance of the Hospital's proprietary fund was \$17,758,231. Approximately 68% 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. \$4,849,949 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 \$216,257 Taxpayer Bill of Rights (TABOR) emergency reserve mandated by the State's Constitution; a \$43,974 donor-restricted endowment for scholarships; and money reserved for debt service, and excess bond tax revenues collected over related bond expenditures, totaling \$478,721.

The Hospital had total revenues of \$22,881,509, which included grants of \$74,009, other revenues of \$1,614,748, and expenses of \$18,983,845.

Budgetary Highlights

The Hospital's budget is prepared according to Colorado statutes. The following table provides a summary of the Hospital's net position for 2021 and 2020.

	2021 Hospital Fund Budget				
	Original Budget	Amendments	Final Budget	Actual	Variance Over (Under)
Beginning Net Positi	\$ 12,870,731	\$ -	\$ 12,870,731	\$ 13,860,567	\$ 989,836
Revenues	\$ 21,268,653	\$ -	\$ 21,268,653	\$ 22,881,509	\$ 1,612,856
Expenditures	\$ 20,011,445	\$ 20,988,555	\$ 41,000,000	\$ 18,983,845	\$ (22,016,155)
Ending Net Position	\$ 14,127,939		\$ (6,860,616)	\$ 17,758,231	\$ 24,618,847

Overall revenues were 7.6% over budget for the year.

Overall expenses were about 5% below the original budgeted amount, and the amended expenditures were to account for the payoff of the construction bond.

Capital Asset and Debt Administration

Capital Assets

The Hospital's investment in capital assets for its governmental activities as of December 31, 2021, totaled \$4,848,949, 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 is \$5,028,255, due largely to the refinance of the Hospital's bond.

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.

Economic Factors and Other Matters

Other Matters

The following factors are expected to have a significant effect on the Hospital's financial operations and were considered in developing the 2022 budget:

1. The COVID-19 pandemic remains ongoing, and as in late 2020, the town of Rangely experienced a surge in cases in late 2021. This affected revenue and utilization both in late 2021 and in early 2022.

2. The Hospital district's assessed valuation declined once again; overall operating Mill Levy revenues are down about \$750,000 from their peak in 2020.
3. The Hospital was able to refinance its bond with a loan from US Bank, and as such the bond Mill Levy has declined. The present value of the savings to taxpayers on the refinance is \$2,715,305.

Discussion of Currently-Known Facts, Decisions, or Conditions of Future Significance

1. The amount the Hospital receives from the Hospital Provider fee increased by about \$500,000 annually, beginning in 2021, due to the establishment of the Rural Support Supplemental Payment Program, and the program will continue for five years to help rural hospitals implement the goals of the Colorado Hospital Transformation Project.
2. The Hospital has partnered with Fitz Ilias to provide outpatient behavioral health to its patients. While the Hospital already has a program called Senior Life Solutions, that program is for older residents only; the new program will be available to everyone.
3. The Hospital will soon begin construction on a General Surgery suite, and construction will be funded by the Hospital's cash reserves. The Hospital should be able to begin providing surgical procedures to patients beginning in late 2023.

Requests for Information

The financial report is designed to provide a general overview of the Hospital's finances for all those with an interest in them. Questions concerning any of the information provided, or requests 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,

	2021	2020	Discretely Presented Component Unit 2021
Assets			
Current Assets			
Cash and cash equivalents	\$ 12,468,738	\$ 13,962,997	\$ 16,472
Investments	136,184	171,076	-
Board designated investments	15,177	10,475	-
Patient accounts receivable, net of contractual and bad debts allowance of \$2,110,816 and \$1,401,154	1,199,182	747,370	-
Property taxes receivable	2,965,210	3,180,670	-
Property taxes receivable - debt service	3,249,163	3,799,743	-
Other receivables	19,283	8,904	121,203
Inventories	616,955	592,688	-
Prepaid expenses and other current assets	301,120	259,793	-
Total current assets	<u>20,971,012</u>	<u>22,733,716</u>	<u>137,675</u>
Noncurrent Cash and Investments			
Restricted for debt service	473,757	4,341,218	-
Donor restricted investments	43,974	43,968	-
Total noncurrent cash and investments	<u>517,731</u>	<u>4,385,186</u>	<u>-</u>
Capital Assets			
Capital assets, non-depreciable	528,680	463,480	-
Capital assets, depreciable	17,986,221	19,512,308	-
Intangible assets, net of accumulated amortization	25,012	33,840	-
Total capital assets and intangible assets, net of accumulated depreciation and amortization	<u>18,539,913</u>	<u>20,009,628</u>	<u>-</u>
Total assets	40,028,656	47,128,530	137,675
Deferred outflows of resources			
Deferred loss on refunding	373,155	-	-
Total assets and deferred outflows of resources	<u>\$ 40,401,811</u>	<u>\$ 47,128,530</u>	<u>\$ 137,675</u>

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

	2021	2020	Discretely Presented Component Unit 2021
Liabilities			
Current Liabilities			
Accounts payable	\$ 530,660	\$ 433,704	\$ 21,852
Estimated third-party payor settlements	299,709	874,073	-
Accrued expenses			
Salaries and wages	397,765	296,346	-
Employee benefits	484,094	534,973	-
Interest	81,777	193,655	-
Unearned revenues	945,238	3,766,865	118,703
Current maturities of long-term debt	2,885,182	2,541,608	-
Total current liabilities	5,624,425	8,641,224	140,555
Long-term debt, less current maturities	10,804,782	17,646,326	-
Total liabilities	16,429,207	26,287,550	140,555
Deferred Inflows of Resources			
Deferred inflows - property taxes	2,965,210	3,180,670	-
Deferred inflows - property taxes, debt service	3,249,163	3,799,743	-
Total deferred inflows of resources	6,214,373	6,980,413	-
Net Position			
Net investment in capital assets	4,849,949	(178,306)	-
Restricted			
TABOR reserve	216,257	567,198	-
Bond reserves	473,757	4,341,218	-
Scholarship fund	43,974	43,968	-
Unrestricted	12,174,294	9,086,489	(2,880)
Total net position	17,758,231	13,860,567	(2,880)
Total liabilities, deferred inflows of resources, and net position	\$ 40,401,811	\$ 47,128,530	\$ 137,675

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended December 31,

	2021	2020	Discretely Presented Component Unit 2021
Operating Revenues			
Net patient service revenue	\$ 14,524,476	\$ 13,160,735	\$ -
Other revenue	1,614,748	371,722	52,763
Total operating revenues	16,139,224	13,532,457	52,763
Operating Expenses			
Hospital operations			
Salaries and wages	7,072,392	6,348,983	-
Employee benefits	1,728,654	1,792,580	-
Medical Supplies	2,070,283	792,068	-
Non-medical supplies	266,560	238,824	-
Outside services	2,542,497	2,615,349	20,601
Repairs and maintenance	112,421	170,372	34,426
Utilities	269,442	262,076	-
Other operating expenses	140,144	1,245,271	666
Depreciation	1,957,551	2,053,506	-
Total hospital operating expenses	16,159,944	15,519,029	55,693
Administration			
Salaries and wages	1,129,557	1,034,429	-
Employee benefits	60,009	62,260	-
Non-medical supplies	35,604	38,048	-
Outside services	691,869	537,789	-
Utilities	61,876	80,367	-
Other operating expenses	836,158	838,390	-
Depreciation	8,828	8,828	-
Total administrative operating expenses	2,823,901	2,600,111	-
Total operating expenses	18,983,845	18,119,140	55,693
Operating Loss	(2,844,621)	(4,586,683)	(2,930)
Non-operating Revenues (Expenses)			
Property taxes - general	3,487,527	3,918,159	-
Property taxes - bond	3,721,026	3,722,270	-
Investment income	(11,006)	45,098	-
Payment protection program revenue	-	1,637,106	-
Grants and contributions	74,009	58,896	-
Debt issuance costs	(97,323)	-	-
Interest expense	(431,948)	(1,205,025)	-
Total nonoperating revenues (expenses), net	6,742,285	8,176,504	-
Change in Net Position	3,897,664	3,589,821	(2,930)
Beginning Net Position	13,860,567	10,270,746	50
Ending Net Position	\$ 17,758,231	\$ 13,860,567	\$ (2,880)

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,

	2021	2020	Discretely Presented Component Unit 2021
Cash Flows from Operating Activities			
Cash received from patients and third party payors	\$ 13,498,300	\$ 13,835,513	\$ -
Cash payments for supplies, goods, and services	(6,977,968)	(6,844,383)	(2,544)
Cash payments for employees	(10,131,616)	(9,253,390)	-
Other receipts from operations	1,614,748	371,722	18,966
Net Cash Provided by Operating Activities	<u>(1,996,536)</u>	<u>(1,890,538)</u>	<u>16,422</u>
Cash Flows from Noncapital Financing Activities			
Property taxes	7,208,553	7,640,429	-
Grants	(2,747,618)	5,431,761	-
Net Cash Provided by Noncapital Financing Activities	<u>4,460,935</u>	<u>13,072,190</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities			
Cash from debt issuance	13,650,000	-	-
Interest payments	(805,105)	(1,205,025)	-
Principal payments on long-term debt	(20,147,970)	(2,455,516)	-
Debt issuance costs	(97,323)	-	-
Purchase of capital assets	(325,943)	(644,408)	-
Net Cash Used for Capital and Related Financing Activities	<u>(7,726,341)</u>	<u>(4,304,949)</u>	<u>-</u>
Cash Flows from Investing Activities			
Purchase of investments	3,892,681	84,128	-
Interest income	11,006	45,098	-
Net Cash Provided Used for Investing Activities	<u>3,903,687</u>	<u>129,226</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(1,358,255)	7,005,929	16,422
Cash and Cash Equivalents, Beginning of Year	13,962,997	6,957,068	50
Cash and Cash Equivalents, End of Year	<u>\$ 12,604,742</u>	<u>\$ 13,962,997</u>	<u>\$ 16,472</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided			
(Used) by Operating Activities			
Operating income (loss)	\$ (2,844,621)	\$ (4,586,683)	\$ (2,930)
Depreciation	1,894,750	2,053,506	-
Amortization	71,629	8,828	-
Disposal of capital assets	(51,763)	20,268	-
Bad debts expense	-	(470,832)	-
(Increase) decrease in patient accounts receivable	(1,026,176)	1,145,610	-
(Increase) decrease in other receivables	(10,379)	(8,904)	(121,203)
(Increase) decrease in inventory	(24,267)	(5,731)	-
(Increase) decrease in prepaids and other current assets	(41,327)	(146,648)	-
Increase (decrease) in unearned revenue	-	-	118,703
Increase (decrease) in accounts payable	96,956	(12,888)	21,852
Increase (decrease) in accrued expenses	(61,338)	112,936	-
Cash Provided by Operating Activities	<u>\$ (1,996,536)</u>	<u>\$ (1,890,538)</u>	<u>\$ 16,422</u>
Non-Cash Effects			
Financing activities - capital lease	41,157	102,765	-

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

Rangely Hospital District
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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 and is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of the State law. The Rangely Hospital District dba Rangely District Hospital, is not tax exempt under these provisions. The Foundation 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 is presented as a discreetly presented component unit.

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

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periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

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 \$5,000 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.

	Estimated Life in Years
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, 2021, 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

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December 31, 2021

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:

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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

- The Hospital directors may authorize supplemental appropriations during the year. There was one supplemental appropriation for the year ended December 31, 2021.

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:

	2021	2020
Medicare	16%	11%
Medicaid	12%	7%
Other third-party payors	28%	25%
Self-pay	43%	57%

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 2021 collectable in 2022, respectively, were levied by the County Commissioners on December 15, 2021. 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 2020, which were collected in 2021, are recognized as revenue in these financial statements as shown below:

	Assessed Valuation	Mill Levy	Amount of Taxes		Percent Collected
			Levied	Collected	
General	\$ 243,729,520	13.050	\$3,180,670	\$3,144,778	98.87%
Debt Service	\$ 243,729,520	15.590	\$3,799,743	\$3,721,026	97.93%

Property Taxes Receivable and Deferred Inflows of Resources

Local property taxes levied in 2021 but not collectable until 2022 are reported as property taxes receivable and deferred inflows of resources.

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	Estimated Assessed Valuation	Property Mill Levy	Percent Collectable	Taxes Receivable	Deferred Inflow
General	\$ 227,219,160	13.050	100%	\$2,965,210	\$2,965,210
Debt Service	\$ 227,219,160	14.300	100%	\$3,249,163	\$3,249,163

NOTE E – NET POSITION

Net position is available for the following purposes:

	2021	2020
Net investment in capital assets	\$ 4,848,756	\$ (178,306)
Restricted net position		
TABOR emergency reserves	216,257	567,198
Bond reserves	478,721	4,341,218
Permanently restricted		
Scholarship endowment	43,974	43,968
Unrestricted net position	12,064,198	9,086,489
Total	<u>\$ 17,651,906</u>	<u>\$ 13,860,567</u>

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:

	2021	2020
Investment in perpetuity	\$ 39,000	\$ 39,000
Income available for scholarships	4,974	4,968
Total	<u>\$ 43,974</u>	<u>\$ 43,968</u>

NOTE F – CASH AND INVESTMENTS

The carrying amounts of deposits and investments at December 31, 2021 are as follows:

Carrying amount	2021	2020
Cash on hand	\$ 1,368	\$ 669
Cash with the County Treasurer	21,951	21,459
Deposits	12,919,182	13,940,569
Investments	195,329	4,566,337
	<u>\$ 13,137,830</u>	<u>\$ 18,529,034</u>

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

	2021	2020
Cash and cash equivalents	\$ 12,463,774	\$ 13,962,997
Investments	136,184	171,076
Board designated investments	15,177	10,475
Donor restricted funds	43,974	43,968
Restricted for debt service	478,721	4,341,218
	<u>\$ 13,137,830</u>	<u>\$ 18,529,734</u>

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, 2021, 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.

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The Hospital had \$111,121 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, 2021 the Hospital's investment in COLOTRUST was rated AAAm by Standard & Poor's.

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 \$77,994 as of December 31, 2021 and the hospital received a dividend of \$7,888 during 2021 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 \$6,220. 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – CAPITAL ASSETS

At December 31, 2021 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	362	65,200	-	65,562
Total non-depreciable assets	<u>463,480</u>	<u>65,200</u>	<u>-</u>	<u>528,680</u>
Capital Assets, depreciable				
Land improvements	602,458	-	-	602,458
Hospital building	29,239,680	-	-	29,239,680
Hospital equipment	11,148,339	307,699	(125,566)	11,330,472
Residence buildings	231,218	-	-	231,218
Residence furnishings	18,869	-	-	18,869
Clinic equipment	71,291	-	-	71,291
Assisted living facility	2,012,558	96,486	-	2,109,044
Total depreciable assets	<u>43,324,413</u>	<u>404,185</u>	<u>(125,566)</u>	<u>43,603,032</u>
Less accumulated depreciation				
Land improvements	(453,689)	(59,131)	-	(512,820)
Hospital building	(12,094,265)	(1,278,212)	-	(13,372,477)
Hospital equipment	(9,161,510)	(517,679)	118,590	(9,560,599)
Residence buildings	(189,331)	(5,550)	-	(194,881)
Residence furnishings	(18,869)	-	-	(18,869)
Clinic equipment	(75,697)	-	-	(75,697)
Assisted living facility	(1,818,744)	(62,724)	-	(1,881,468)
Total accumulated depreciation	<u>(23,812,105)</u>	<u>(1,923,296)</u>	<u>118,590</u>	<u>(25,616,811)</u>
Total depreciable assets, net	<u>19,512,308</u>	<u>(1,519,111)</u>	<u>(6,976)</u>	<u>17,986,221</u>
Total net capital assets	<u>\$ 19,975,788</u>	<u>\$ (1,453,911)</u>	<u>\$ (6,976)</u>	<u>\$ 18,514,901</u>
	Beginning Balance	Additions	Deletions	Ending Balance
Intangible assets				
Medical Records	<u>\$ 33,840</u>	<u>\$ -</u>	<u>\$ 8,828</u>	<u>\$ 25,012</u>

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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	515,243	-	(51,763)	463,480
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	42,978,053	798,936	(452,576)	43,324,413
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	(22,190,907)	(2,053,506)	432,308	(23,812,105)
Total depreciable assets, net	20,787,146	(1,254,570)	(20,268)	19,512,308
Total net capital assets	\$ 21,302,389	\$ (1,254,570)	\$ (72,031)	\$ 19,975,788

	Beginning Balance	Additions	Deletions	Ending Balance
Intangible assets				
Medical Records	\$ 42,668	\$ -	\$ 8,828	\$ 33,840

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NOTES TO FINANCIAL STATEMENTS

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NOTE H – LONG-TERM DEBT

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2011 General Obligation Bonds	\$ 19,855,000	\$ -	\$ 19,855,000	\$ -	\$ -
2021 Revenue Refunding Loan	-	\$ 13,650,000		13,650,000	2,850,000
Premium on Bonds	230,169		\$ 230,169	-	-
Capital lease	102,765	-	62,801	39,964	35,182
	<u>\$ 20,187,934</u>	<u>\$ 13,650,000</u>	<u>\$ 20,147,970</u>	<u>\$ 13,689,964</u>	<u>\$ 2,885,182</u>

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
Capital Lease	-	102,765	-	102,765	61,608
Premium on Bonds	270,685	-	40,516	230,169	40,516
	<u>\$ 22,540,685</u>	<u>\$ 102,765</u>	<u>\$ 2,455,516</u>	<u>\$ 20,187,934</u>	<u>\$ 2,582,124</u>

General Obligation Bonds

On August 04, 2021, the Rangely District Hospital exercised their option to prepay a portion of its “General Obligation Bonds, Series 2011” of which were selected for optional redemption on November 1, 2021, in accordance with the resolution authorizing the deceased bonds, adopted by the District on August 24, 2011.

The District issued a general obligation loan, “Revenue Refunding Loan, Series 2021,” on August 04, 2021 with a general obligation totaling \$13,650,000 with a cost of \$96,379 included for issuance expense. The bonds mature on November 2, 2026 at annual rates of 5.5% through 2022 and 6% through 2026. These bonds were refunded with the 2011 Series at a total of \$3,818,889 on deposit in the debt service reserve fund balance and \$3,052,050 on deposit in the debt service fund, and remitted to the escrow agent as credit for the new issuance, which is a total of \$20,424,560. Principal payment on the Series 2021 loan shall commence on November 1, 2022, no payments took place during 2021.

The Bond Resolution establishes the “Rangely Hospital District General Obligation Loan, Series 2021, Reserve Fund” (the Reserve Fund) as additional security for the Series 2021 Loan. The reserve fund is included with restricted investments in the financial statements.

The loss on refunding of the 2011 bonds was \$373,155 which will be amortized on the straight-line basis over the life of the new loan. The difference between the cash flows required to services the old debt and the new debt is \$2,833,692. The economic gain or loss on refunding transaction, calculated on a present value basis is \$2,715,692.

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Maturities on the loan are as follows:

Year	Principal	Interest	Total
2022	\$ 2,850,000	\$ 244,441	\$ 3,094,441
2023	2,930,000	155,490	3,085,490
2024	2,990,000	113,617	3,103,617
2025	2,905,000	70,258	2,975,258
2026	1,975,000	28,512	2,003,512
	\$ 13,650,000	\$ 612,318	\$ 14,262,318

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, 2021, the value of the lease liability was \$41,157. 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 \$39,964 and had accumulated amortization of \$62,801.

The future principle and interest lease payments as of December 31, 2021 are as follows:

Year	Principal	Interest	Total
2022	\$ 35,182	\$ 817	\$ 35,999
2023	5,975	24	5,999
	\$ 41,157	\$ 841	\$ 41,998

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 2021 and 2020 the District had lease expense of \$147,325 and \$147,325.

The five year projected lease expense is as follows:

Year	Lease Payments
2022	\$ 159,800
2023	153,905
2024	93,872
2025	93,872
2026	93,872
	\$ 595,321

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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 457 Plan), the Rangely District Hospital Deferred Compensation Plan for employee contributions; and a defined-contribution plan, the Rangely District Hospital Employees' Pension Plan (the 401a 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 457 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 \$322,431 (2021) and \$266,953 (2020).

Under the 401a Plan, the employee is eligible to participate after 12 consecutive months of service in which an employee completes 1,000 or more hours. 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 up to 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 contributions were \$134,107 (2021) and \$156,471 (2020).

Additionally, the Hospital maintains a legacy defined-contribution plan currently administered by Empower Retirement. The Hospital does not enroll employees on this plan anymore, and so there are no eligibility requirements. There were two employees on the plan at the beginning of 2021 and one on the plan at the end of 2021. Total employee contributions were \$5,540 (2021) and \$5,621 (2020). The Hospital's total payroll was \$6,810,958 (2021) and \$6,785,152 (2020).

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.

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The Hospital has not authorized nor issued debt subject to the amendment's limitations. Based on fiscal year spending for 2021, \$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 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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE M – MEDICARE COST REPORT PAYABLE

Based on the 2021 cost report calculation, the Hospital is reporting a receivable from Medicare in the amount of \$156,930. This is net of \$106,325 that is being included in the cost report but carries uncertainty that it will be paid by Medicare. This is because the interim rate paid to the Hospital was based on the 2021 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 \$1,647,070. This estimated balance has not been reported as a receivable by the Hospital as of December 31, 2021 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, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
Net patient service revenue	\$ 13,947,440	\$ 13,947,440	\$ 14,524,476	\$ 577,036
Other revenue and grants	220,800	220,800	1,677,750	1,456,950
Non-operating revenues	7,100,413	7,100,413	7,208,553	108,140
Total Revenues	21,268,653	21,268,653	23,410,779	2,142,126
Expenditures				
Operating expenditures	18,901,689	18,901,689	18,983,844	82,155
Principal payments on debt	-	17,375,000	20,424,559	3,049,559
Interest payments on debt	1,109,756	1,109,756	431,948	(677,808)
Capital expenditures	-	120,087	438,440	318,353
Grant refunding	-	2,426,109	2,241,672	(184,437)
Debt issuance costs	-	44,736	97,323	52,587
Contingency	-	1,022,623	-	(1,022,623)
Total Expenditures	20,011,445	41,000,000	42,617,786	1,617,786
Change in Net Position, Budgetary Basis	<u>\$ 1,257,208</u>	<u>\$ (19,731,347)</u>	(19,207,007)	<u>\$ 524,340</u>
			Principal payments	20,424,559
			Repayment of grants	2,241,672
			Capital expenditures	438,440
Change in Net Position, GAAP Basis			<u>\$ 3,897,664</u>	

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>

SINGLE AUDIT



INDEPENDENT AUDITOR'S 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

To the Board of Directors
Rangely Hospital District
d.b.a. Rangely District Hospital
Rangely, 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 the business-type activities, and the discretely presented component unit of Rangely Hospital District d.b.a., Rangely District Hospital (the Hospital), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated September 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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 financial statements. 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*.

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.

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

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

September 20, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rangely Hospital District's (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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).^j Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to



be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

Chadwick, Steinkirchner, Davis & Co., P.C.
September 20, 2022

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Number	Pass-through	
		Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Passed through Colorado Rural Health Center			
Small Rural Hospital Improvement Grant Program	93.301		\$ 63,919
Direct Grant			
Provider Relief Fund (PRF) and American Rescue Plan (ARP)			
(COVID -19)	93.498		<u>1,447,669</u>
Total Federal Expenditures			<u><u>\$ 1,511,588</u></u>

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Rangely Hospital District under programs of the federal government for the year ended December 31, 2021. 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 operation of Rangely Hospital District, it is not intended to, and does not, present the financial position or changes in net position of Rangely Hospital District.

NOTE B – 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.

NOTE C – INDIRECT COST RATE

Rangely Hospital District has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Rangely Hospital District
d.b.s Rangely District Hospital

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:			<u>Unmodified Opinion</u>	
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported
Noncompliance material to financial statements noted?	_____	yes	<u>✓</u>	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	_____	yes	<u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	<u>✓</u>	none reported

Type of auditor's report issued on compliance
for major programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____	yes	<u>✓</u>	no
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Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.498

Provider Relief Fund (COVID-19)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	_____	yes	<u>✓</u>	no
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Rangely Hospital District
d.b.s Rangely District Hospital

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS

Our audit did not disclose any matters required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

Rangely Hospital District
d.b.s Rangely District Hospital

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

There were no prior year audit findings.