

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eastern Rio Blanco County Health Service District
dba: Pioneers Medical Center
Meeker, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eastern Rio Blanco County Health Service District dba: Pioneers Medical Center (the District), which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2021, and the results of their operations, changes in their net position, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 opinion.

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 District's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS 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 District'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 District'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

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Board of Directors
Eastern Rio Blanco County Health Service District
dba: Pioneers Medical Center


The budgeted and actual revenues and expenses on page 28 is presented to supplement the financial statements. 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 financial statements, and other knowledge we obtained during our audit of the 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 Matter

The 2020 financial statements of the District were audited by other auditors whose report dated June 9, 2021, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado
September 29, 2022

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,773,484	\$ 11,725,721
Investments	12,596,623	10,732,273
Receivables:		
Patient	5,630,397	3,236,242
Property Tax Levy	3,472,953	3,840,753
340B Contract Pharmacy	-	190,828
Other	21,484	1,479
Estimated Amounts Due from Third-Party Payors	-	2,335,061
Supplies Inventory	740,299	788,271
Prepaid Expenses and Other	364,915	253,355
Total Current Assets	32,600,155	33,103,983
NONCURRENT CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents Restricted for Debt Service	7,593,423	8,140,760
Total Noncurrent Cash and Cash Equivalents	7,593,423	8,140,760
INVESTMENTS HELD AT COST	365,761	257,479
PROPERTY AND EQUIPMENT, NET	42,604,704	44,625,434
Total Assets	83,164,043	86,127,656
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Debt Refunding	728,497	833,822
Total Assets and Deferred Outflows	\$ 83,892,540	\$ 86,961,478

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020**

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 1,609,856	\$ 1,272,818
Accounts Payable - Capital	600,935	720,775
Accrued Compensation and Related Liabilities	1,498,893	1,630,467
Current Maturities of Long-Term Debt	1,667,245	1,708,371
Current Portion of Capital Lease Obligations	200,785	209,380
Estimated Amounts Due to Third-Party Payors	679,216	-
Unearned Revenues	-	4,109,581
Medicare Accelerated Payments Payable	2,511,560	5,013,625
Total Current Liabilities	8,768,490	14,665,017
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	31,906,922	33,686,666
Capital Lease Obligations, Less Current Portion	547,404	756,783
Total Long-Term Liabilities	32,454,326	34,443,449
Total Liabilities	41,222,816	49,108,466
DEFERRED INFLOWS FROM PROPERTY TAXES	3,472,953	3,840,753
NET POSITION		
Net Investment in Capital Assets	7,681,413	7,543,459
Nonspendable	740,299	788,271
Restricted by Creditor	7,593,423	8,140,760
Unrestricted	23,181,636	17,539,769
Total Net Assets	39,196,771	34,012,259
Total Liabilities, Deferred Inflows, and Net Position	\$ 83,892,540	\$ 86,961,478

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
Net Patient Service Revenue (Net of Provision for Bad Debts of Approximately \$2,700,000 and \$1,657,000, respectively)	\$ 38,316,910	\$ 31,391,725
Grants	54,794	82,668
Other Revenue	286,958	202,741
Total Operating Revenues	38,658,662	31,677,134
OPERATING EXPENSES		
Salaries and Wages	14,334,800	11,825,431
Employee Benefits	5,305,467	5,495,162
Professional Fees and Purchased Services	8,098,281	5,142,519
Supplies	5,462,133	4,323,778
Utilities	514,118	521,382
Depreciation and Amortization	4,889,815	4,574,733
Insurance	48,895	132,890
Leases and Rentals	127,786	33,102
Repairs and Maintenance	830,142	918,036
Provider Fees	412,711	327,580
Other	910,044	1,047,256
Total Operating Expenses	40,934,192	34,341,869
OPERATING LOSS	(2,275,530)	(2,664,735)
NONOPERATING REVENUES (EXPENSES)		
Noncapital Grants, Contributions, and Other	4,720,898	719,907
Property Tax Revenues	4,149,606	4,231,178
Tax Collection Expense	(199,973)	(204,796)
Loss on Disposal of Property and Equipment	-	(219,800)
Interest Income	226,005	260,415
Interest Expense	(1,436,494)	(1,439,092)
Total Nonoperating Revenues	7,460,042	3,347,812
EXCESS OF REVENUES OVER EXPENSES	5,184,512	683,077
Gain on Forgiveness of Paycheck Protection Program Loan	-	1,668,071
Capital Grants and Contributions	-	8,000
CHANGE IN NET POSITION	5,184,512	2,359,148
Net Position - Beginning of Year	34,012,259	31,653,111
NET POSITION - END OF YEAR	\$ 39,196,771	\$ 34,012,259

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 36,559,124	\$ 33,460,946
Payments to Suppliers and Contractors	(16,130,660)	(12,357,408)
Payments to Employees	(19,771,841)	(15,702,745)
Grants	54,794	82,668
Other Revenue	286,958	215,888
Net Cash Provided by Operating Activities	998,375	5,699,349
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes Supporting Operations	4,149,606	4,231,178
Payments for Tax Collections	(199,973)	(204,796)
Noncapital Grants, Contributions, and Other	611,317	4,829,488
Issuance of Paycheck Protection Program Loan	-	1,668,071
Net Cash Provided by Noncapital Financing Activities	4,560,950	10,523,941
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Debt	-	2,350,000
Principal Paid on Long-Term Debt	(1,820,870)	(1,466,613)
Principal Paid on Capital Leases	(217,974)	(46,357)
Interest Paid on Long-Term Debt	(1,331,169)	(1,333,767)
Capital Grants and Contributions	-	8,000
Purchase of Property and Equipment	(2,988,925)	(10,279,544)
Net Cash Used by Capital and Related Financing Activities	(6,358,938)	(10,768,281)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	226,005	6,324
Purchase of Investments	(8,600,752)	(14,972,156)
Proceeds from Disposition of Investments	6,736,402	6,303,013
Cash Paid for Investment Held at Cost	(97,258)	(67,323)
Distributions Received from Investment Held at Cost	35,642	31,572
Net Cash Used by Investing Activities	(1,699,961)	(8,698,570)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,499,574)	(3,243,561)
Cash and Cash Equivalents - Beginning of Year	19,866,481	23,110,042
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,366,907	\$ 19,866,481
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ 9,773,484	\$ 11,725,721
Cash and Cash Equivalents Restricted for Debt Service	7,593,423	8,140,760
Total Cash and Cash Equivalents	\$ 17,366,907	\$ 19,866,481

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (2,275,530)	\$ (2,664,735)
Depreciation and Amortization	4,889,815	4,574,733
Provision for Bad Debts	2,700,455	1,657,373
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	(5,094,610)	(2,843,386)
Other	124,157	74,225
Supplies Inventory	47,972	(117,198)
Prepaid Expenses	(111,560)	188,857
Accounts Payable	337,038	815,992
Accrued Compensation and Related Liabilities	(131,574)	819,332
Medicare Accelerated Payments Payable	(2,502,065)	5,013,625
Estimated Amounts to/from Third-Party Payors	3,014,277	(1,819,469)
Net Cash Provided by Operating Activities	\$ 998,375	\$ 5,699,349
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,331,169	\$ 1,333,767
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Accounts Payable - Capital	\$ 600,935	\$ 720,775
Fixed Assets Acquired through Capital Lease	\$ -	\$ 1,012,520

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Eastern Rio Blanco County Health Service District doing business as Pioneers Medical Center (the District) operates within eastern Rio Blanco County (the County), but is not part of the County government. The District operates under the laws of the state of Colorado for Colorado special districts. As organized, the District is exempt from payment of federal income tax. All District assets, liabilities, and financial transactions are included in these financial statements. The board of directors consists of five elected residents of the County.

The District operates a licensed 16-bed hospital, 30-bed skilled nursing facility, a rural health clinic, and a home health agency in Meeker, Colorado.

Standards of Accounting and Financial Reporting

The accompanying financial statements have been presented in conformity with U.S. GAAP in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, health care entities, and other pronouncements applicable to health care organizations and guidance from the Governmental Accounting Standards Board (GASB), where applicable. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using economic resources measurement focus.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Investment income includes interest income.

Supplies Inventory

Supplies inventory is stated at the lower of cost, determined using the first-in, first-out basis, or net realizable value.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable, Net

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient, the District bills third-party payors directly and bill the patient when the patient's liability is determined. Patients are not required to provide collateral for services rendered. Patient accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payor. In addition, an allowance is estimated for other accounts based on historical experience of the District. At December 31, 2021 and 2020, the allowance for uncollectible accounts was approximately \$1,769,000 and \$1,896,000, respectively.

Noncurrent Cash and Cash Equivalents

Noncurrent cash and cash equivalents consist of cash and cash equivalents. These assets include assets restricted under debt agreements as collateral.

Property and Equipment, Net

Property and equipment is recorded at cost at the date of acquisition, or fair value at the date of donation, if acquired by gift. The District capitalizes acquisitions with an initial individual cost of \$5,000 and an estimated useful life in excess of three years. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land Improvements	10 to 15 Years
Buildings and Improvements	5 to 40 Years
Equipment	3 to 20 Years

Impairment of Long-Lived Assets

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may be not recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at December 31, 2021 and 2020.

Unearned Revenues

Revenue received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred and then revenue is recognized.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The net position of the District is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *Nonspendable net position* consists of inventories held to serve patients. *Restricted by creditor* are funds set aside as required per debt documents to be used for future debt payments. *Unrestricted net position* is the remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Property Taxes

The District received approximately 10% and 13% of their financial support from property taxes in 2021 and 2020, respectively. These funds were used to support the District's operations. Taxes are assessed in December and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. Property tax revenue is recognized in the year for which the taxes are levied. There were no property tax abatements recognized in 2021 and 2020.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the District's charity care policy were approximately \$79,000 and \$40,000 for 2021 and 2020, respectively.

Grants and Contributions

From time to time, the District receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Grants that are used to subsidize operating deficits are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Nonexchange revenues, including taxes, interest expense, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

Advertising Costs

The District expenses advertising costs as incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District recorded a deferred charge on debt refunding as a deferred outflow of resources as of December 31, 2021 and 2020.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District recorded property taxes assessed in the current year and levied in the subsequent year as a deferred inflow of resources as of December 31, 2021 and 2020.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, Leases, effective for the District's fiscal year beginning January 1, 2022. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The District is evaluating the effect Statement No. 87 will have on its financial statements.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the District's overall net position.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the state constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that it qualifies for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

NOTE 3 NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. These payment arrangements include the following:

Hospital

Medicare

The District has elected the Critical Access Hospital (CAH) designation. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2018. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Through October 31, 2016, inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicaid beneficiaries were paid based on a cost-reimbursement methodology.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

Hospital (Continued)

Medicaid (Continued)

The District is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have settled through the year ended October 31, 2016. On November 1, 2016, the Medicaid program began reimbursing inpatient nonacute services and certain outpatient services using a prospective payment methodology.

In 2012, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee. The inpatient fee is based on a rate for managed care and nonmanaged care days for the reporting period and the outpatient fee is based on a percentage of total outpatient charges. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal funds into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. Beginning with the state fiscal year ended June 30, 2011, funding received in excess of costs to provide these services to Medicaid and uninsured patients may be refunded. As of December 31, 2021 and 2020, the District has not recorded a reserve for the estimated portion of funding received in excess of costs. It is reasonably possible that this estimate could materially change in the near term.

Other

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

Uninsured

The District provides health care services to patients who have not purchased commercial health care insurance coverage and do not qualify as beneficiaries of the Medicare and Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the District's charity care policy.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

Skilled Nursing Facility

Medicaid

The skilled nursing facility participates in the Medicaid program administered by the Colorado Department of Health Care Financing and Policy. The Medicaid rates are established prospectively: based on the facility's annual cost report; subject to limitations for the health care related services; administration is based on a price; and the capital component is based on the fair rental allowance system. The direct health care related services component is adjusted quarterly, based on the facility's resident acuity.

The following is a reconciliation of gross patient service revenue to net patient service revenue for the years ending December 31:

	2021	2020
Patient Service Revenue (Net of Contractual Adjustments and Discounts):		
Medicare	\$ 14,400,032	\$ 11,908,388
Medicaid	2,778,291	3,683,433
Other Third-Party Payors	20,616,289	14,891,338
Patients	1,433,806	1,380,531
340B Contract Pharmacy	77,356	218,844
Supplemental Payments	1,790,430	1,007,043
Less:		
Charity Care	(78,839)	(40,479)
Provision for Bad Debt	(2,700,455)	(1,657,373)
Total Net Patient Service Revenue	\$ 38,316,910	\$ 31,391,725

Revenue from Medicare and Medicaid programs accounted for approximately 38% and 7%, respectively, of the District's patient revenue for the year ended December 31, 2021 and 38% and 12%, respectively, of the District's patient revenue for the year ended December 31, 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 PATIENT ACCOUNTS RECEIVABLE, NET

The District grants credit without collateral to their patients, most of who are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Receivable from Patients and Insurance Carriers	\$ 4,174,293	\$ 3,904,197
Receivable from Medicare	3,030,052	1,039,592
Receivable from Medicaid	195,052	188,453
Total Patient Accounts Receivable	<u>7,399,397</u>	<u>5,132,242</u>
Less Allowance for Uncollectible Accounts	<u>(1,769,000)</u>	<u>(1,896,000)</u>
Total Net Patient Accounts Receivable	<u>\$ 5,630,397</u>	<u>\$ 3,236,242</u>

NOTE 5 DEPOSITS AND INVESTMENTS

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits.

The State Regulatory Commissioners for bank and financial services are required by statute to monitor the naming of eligible depositories and reporting of uninsured deposits and assets maintained in collateral pools.

Investments

Colorado State statutes authorize the District to invest in obligations of the United States Treasury, agencies and instrumentalities, commercial paper, repurchase agreement, money market funds, and local government investment pools with a maturity date of no more than five years from the date of purchase. As of December 31, 2021 and 2020, the District held certificates of deposits as investments which are carried at amortized cost.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value. The District has a policy specifically managing its exposure to fair value losses arising from changes in interest rates.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The is typically measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has a policy specifically requiring or limiting investments of this type.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not contain policy requirements that would limit the exposure to custodial credit risk for investments.

Concentrations of Credit Risk

Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The District has a policy limiting the amount it may invest in any one issuer or multiple issuers.

The District's investment consisted of:

		2021			S&P Ratings	
		Investment Maturities in Years				
Fair Value	No Maturity	Less than 1	1 to 5	Over 5		
Certificates of Deposit	\$ 12,596,623	\$ -	\$ 12,596,623	\$ -	\$ -	Not Applicable
		2020			S&P Ratings	
		Investment Maturities in Years				
Fair Value	No Maturity	Less than 1	1 to 5	Over 5		
Certificates of Deposit	\$ 10,732,273	\$ -	\$ 10,732,273	\$ -	\$ -	Not Applicable

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment activity for the years ended December 31, 2021 and 2020 was as follows:

	2021				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 303,490	\$ 27,588	\$ -	\$ -	\$ 331,078
Land Improvements	9,541,769	-	-	-	9,541,769
Buildings and Improvements	26,042,707	128,527	-	3,883,836	30,055,070
Equipment	33,066,242	545,017	-	-	33,611,259
Construction in Progress	2,099,685	2,167,953	-	(3,883,836)	383,802
Subtotal	71,053,893	2,869,085	-	-	73,922,978
Less: Accumulated Depreciation					
Land Improvements	(4,062,428)	(790,762)	-	-	(4,853,190)
Buildings and Improvements	(8,261,721)	(1,636,759)	-	-	(9,898,480)
Equipment	(14,104,310)	(2,462,294)	-	-	(16,566,604)
Subtotal	(26,428,459)	(4,889,815)	-	-	(31,318,274)
Property and Equipment, Net	<u>\$ 44,625,434</u>	<u>\$ (2,020,730)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,604,704</u>
	2020				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 303,490	\$ -	\$ -	\$ -	\$ 303,490
Land Improvements	8,843,732	107,279	-	590,758	9,541,769
Buildings and Improvements	21,827,404	876,704	-	3,338,599	26,042,707
Equipment	26,100,524	2,403,173	-	4,562,545	33,066,242
Construction in Progress	1,965,904	8,625,683	-	(8,491,902)	2,099,685
Subtotal	59,041,054	12,012,839	-	-	71,053,893
Less: Accumulated Depreciation					
Land Improvements	(3,304,100)	(758,328)	-	-	(4,062,428)
Buildings and Improvements	(6,649,293)	(1,612,428)	-	-	(8,261,721)
Equipment	(11,900,333)	(2,203,977)	-	-	(14,104,310)
Subtotal	(21,853,726)	(4,574,733)	-	-	(26,428,459)
Property and Equipment, Net	<u>\$ 37,187,328</u>	<u>\$ 7,438,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,625,434</u>

Construction in progress at December 31, 2021 consists of costs related to the CT Scanner Project, the Clinic Expansion, and the Emergency Room Security Upgrade. The CT Scanner Project was completed in the Spring of 2022 at an approximate cost of \$855,000. The Clinic Expansion and Emergency Room Security Upgrade projects are expected to be completed in the Fall of 2022 at an approximate total cost of \$2,700,000. These projects are being funded through operations.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 LONG-TERM DEBT

The following is a summary of long-term debt transactions for the District for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Reduction	Ending Balance	Amounts Due Within One Year
Long-Term Debt					
2019 Lease Agreement	\$ 33,307,199	\$ -	\$ (1,364,148)	\$ 31,943,051	\$ 1,201,315
2020 MRI Lease Agreement	2,087,838	-	(456,722)	1,631,116	465,930
Total Long-Term Debt	35,395,037	-	(1,820,870)	33,574,167	1,667,245
Capital Lease Obligations	966,163	-	(217,974)	748,189	200,785
Total Long-Term Debt and Capital Lease Obligations	<u>\$ 36,361,200</u>	<u>\$ -</u>	<u>\$ (2,038,844)</u>	<u>\$ 34,322,356</u>	<u>\$ 1,868,030</u>
	2020				
	Beginning Balance	Additions	Reduction	Ending Balance	Amounts Due Within One Year
Long-Term Debt					
2019 Lease Agreement	\$ 34,511,650	\$ -	\$ (1,204,451)	\$ 33,307,199	\$ 1,251,649
2020 MRI Lease Agreement	-	2,350,000	(262,162)	2,087,838	456,722
Total Long-Term Debt	34,511,650	2,350,000	(1,466,613)	35,395,037	1,708,371
Capital Lease Obligations	-	1,012,520	(46,357)	966,163	209,380
Total Long-Term Debt and Capital Lease Obligations	<u>\$ 34,511,650</u>	<u>\$ 3,362,520</u>	<u>\$ (1,512,970)</u>	<u>\$ 36,361,200</u>	<u>\$ 1,917,751</u>

The terms of the District's long-term debt are as follows:

- The 2019 Lease Agreement, in the original amount of \$35,000,000 from Bank of San Juans and Hilltop National Bank, under a lease agreement with Zions Bank used for the refunding of the 2013 Lease Agreement and the expansion of the operating room, rural health clinic, and acute wing. Principal and interest payments are due monthly through August 2039. The lease agreement accrues interest at 3.85%. The lease agreement is secured by the medical facility held under the lease agreement. The District is also required to keep a minimum liquidity reserve balance of \$5,000,000 with Bank of San Juans. The amount held in the minimum liquidity reserve account is included in cash and cash equivalents restricted for debt service on the statements of net position.
- The 2020 MRI Lease Agreement, in the original amount of \$2,350,000 from Bank of San Juans, was used to fund the expansion of the MRI suite. Monthly installments of \$41,191, including interest at 2%, are due through May 2025. The 2020 MRI Lease is collateralized by a deposit account held with Bank of San Juans which is included in cash and cash equivalents restricted for debt service on the statements of net position.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The terms of the District's capital lease obligations are as follows:

- Capital lease obligation payable to Key Government Finance, Inc., in the original amount of \$875,000, due in monthly installments of \$14,583 through October 2025. The capital lease obligation is collateralized by the MRI machine. The MRI machine has a capitalized cost of \$875,000 and had an accumulated depreciation of \$218,750 and \$43,750 as of December 31, 2021 and 2020, respectively.
- Capital lease obligation payable to Smith & Nephew Capital, in the original amount of \$137,520, due in quarterly installments of \$8,595 through April 2024. The capital lease obligation is collateralized by the surgical instruments. The surgical instruments have a capitalized cost of \$137,520 and had an accumulated depreciation of \$22,920 and \$3,274 as of December 31, 2021 and 2020, respectively.

Restrictive Covenants

The 2019 lease agreement requires the District to comply with certain restrictive covenants including maintaining an annual debt-service coverage ratio of at least 1.20, have 90 days of cash on hand, and restrictions on incurrence of additional debt. Management believes the District was in compliance with the restrictive covenants at December 31, 2021.

Scheduled principal and interest payments on long-term debt is as follows:

<u>Year Ending December 31,</u>	Total to be		
	<u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,107,585	\$ 1,868,030	\$ 1,239,555
2023	3,215,755	2,036,579	1,179,176
2024	3,198,574	2,081,954	1,116,620
2025	2,863,890	1,810,669	1,053,221
2026	2,512,113	1,517,120	994,993
2027-2031	12,560,735	8,525,470	4,035,265
2032-2036	12,561,061	10,332,285	2,228,776
2037-2039	6,471,160	6,150,249	320,911
Total	<u>\$ 46,490,873</u>	<u>\$ 34,322,356</u>	<u>\$ 12,168,517</u>

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 RETIREMENT PLAN

The District sponsors a 401(a) defined contribution plan. The Eastern Rio Blanco County Health Service District 401(a) Plan (the 401(a) Plan) is mandatory for all eligible employees. Additionally, the 457 deferred compensation plan (the 457 Plan) is voluntary for all eligible participants who may defer a percentage of their compensation up to certain limits specified by the Internal Revenue Code. Participants are fully vested in their salary deferrals to the 457 Plan.

Under the 401(a) Plan, employees are required to contribute a minimum of 3% and a maximum of 6% of their gross income, which the District matches 100%. The participants are eligible for the employer matching contributions immediately if they work a minimum of 24 hours per week and are either part-time or full-time status. The matching contributions are allocated to participants' accounts in the Colorado County Officials & Employees Retirement Association (CCOERA). CCOERA administers both the 457 Plan and the 401(a) Plan. Participants are vested depending on the years of service, ranging from zero percent for the first year to fully vested in the sixth year.

Participant contributions to the 457 Plan during the years ending December 31, 2021 and 2020 were approximately \$134,000 and \$138,000, respectively. Participant contributions to the 401(a) Plan during the years ending December 31, 2021 and 2020, were approximately \$671,000 and \$617,000, respectively. The District made matching contributions to the 401(a) Plan of approximately \$670,000 and \$585,000, during the years ending December 31, 2021 and 2020, respectively.

Forfeitures of approximately \$126,000 and \$52,000 during the years ending December 31, 2021 and 2020, respectively, were used to reduce the District's contributions.

Benefit terms including contribution requirements are established and may be amended by the District. When a participant leaves employment prior to being fully vested, forfeitures are utilized against future employer contributions.

The District made all required funding payments during the year.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Risk Management

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

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 COMMITMENT AND CONTINGENCIES (CONTINUED)

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected losses, which are not covered by insurance, if any. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Malpractice Claims

The District has professional liability insurance with COPIC Insurance Company (COPIC). The policy provides protections on a “claims-made” basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies, as well as past incidents that are reported during the current term. The malpractice insurance provides \$1,000,000 per claim of primary coverage with an annual aggregate limit of \$3,000,000. The policy has no deductible.

The District also purchases excess malpractice insurance through COPIC. COPIC provides protection on an “excess” basis whereby claims reported to the insurance carrier are only covered in excess of primary malpractice liability coverage. The COPIC excess liability limit is \$5,000,000 per claim with an annual aggregate limit of \$5,000,000. That policy has a \$10,000 deductible per claim.

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

Employee Health Insurance

In January 2020, the District became self-insured for health insurance. The District self-insures the first \$50,000 in claims per eligible participant. The District also purchases annual stop-loss insurance coverage for all claims in excess of \$50,000 per participant. Accrued compensation and related liabilities on the statements of net position includes an accrual for claims incurred but not reported. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Activity in the District’s accrued employee health claims liability during 2021 and 2020 is summarized as follows:

	2021	2020
Claim Liability, Beginning of Year	\$ 352,496	\$ -
Current Year Claims and Changes in Estimate	3,342,767	3,575,154
Claims Payment	(3,285,466)	(3,222,658)
Claim Liability, End of Year	\$ 409,797	\$ 352,496

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 COMMITMENT AND CONTINGENCIES (CONTINUED)

Management Agreement

The District renewed a managed contract with Quorum Health Resources, LLC (QHR) on May 30, 2017, for the management, administration, and operations of the District. The agreements calls for the District to pay QHR an annual base fee, with provisions for annual increases based on the changes in the Consumer Price Index and pass-through salaries and benefit costs for management. The term of the agreement extends through December 31, 2023. Total payments to QHR during 2021 and 2020 were approximately \$338,000 and \$307,000, respectively.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers 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 services. The District operates a Compliance Committee which reviews the operations of the District. The District records allowances where the government has shown a pattern of adjusting periodic reports submitted by the District, including Medicare cost reports or tax reporting, or where internal reviews indicate the possibility of future adjustments. Management believes that the District is in substantial compliance with current laws and regulations.

Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence of care
- Environmental pollution
- Violation of a regulatory body's rules and regulations
- Violation of federal and/or state laws

No other contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 COMMITMENT AND CONTINGENCIES (CONTINUED)

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the District is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

NOTE 10 COVID-19 PANDEMIC

COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2021.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 COVID-19 PANDEMIC (CONTINUED)

COVID-19 Pandemic (Continued)

As part of the District's response to the COVID-19 pandemic, they received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services. The District received PRF payments in 2021 and 2020 in the amounts of \$82,178 and \$4,424,575, respectively. The District recognized revenues in the amount of \$4,142,298 and \$364,455 during 2021 and 2020, respectively. The PRF revenues recognized are included in noncapital grants, contributions, and other revenues on the statements of revenues, expenses, and changes in net position. The remaining balance of \$-0- and \$4,060,120, respectively, is included in unearned revenues at December 31, 2021 and 2020 in the statements of net position. The PRF payments have terms and conditions that the District is required to follow and these funds are subject to audit. As part of the PRF terms and conditions, amounts received by the District could potentially be recouped if not spent in full or if the amounts are not spent in accordance with the terms and conditions. Management believes the amounts have been recognized appropriately as of December 31, 2021 and 2020.

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act the Centers for Medicare & Medicaid Services (CMS) administered an Accelerated and Advanced Payment Program to provide additional relief funds to providers. During the year ended December 31, 2020, the District received total advanced funds through the Accelerated and Advanced Payment Program of \$5,013,625. These payments were received in April 2020 and will need to start to be repaid within a year from receipt. The Hospital has up to 29 months from the date the payments were made to repay the balance. During fiscal year 2021 the District repaid \$2,502,065 of the advanced funds. As of December 31, 2021 and 2020, the District reported \$2,511,560 and \$5,013,625, respectively, as a current liability on the statements of net position.

Paycheck Protection Program Loan

In April 2020, the District received a loan through the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) in the amount of \$1,668,071. The loan was received as part of the response to the COVID-19 pandemic. The loan accrued interest at 1% with principal and interest payments due monthly starting either (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The loan payments were due over 18 months. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. The District received full forgiveness in fiscal year 2020 and has shown the amount as a gain on forgiveness on Paycheck Protection Program loan in the statements of revenues, expenses, and changes in net position. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the District's financial position.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
BUDGETED AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)**

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net Patient Service Revenue	\$ 38,316,910	\$ 32,045,113	\$ 6,271,797
Other Operating Revenues	341,752	1,014,264	(672,512)
Total Operating Revenues	38,658,662	33,059,377	5,599,285
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	19,640,267	18,518,149	1,122,118
Other	21,293,925	18,119,742	3,174,183
Total Operating Expenses	40,934,192	36,637,891	4,296,301
OPERATING LOSS	(2,275,530)	(3,578,514)	1,302,984
NONOPERATING GAINS	7,460,042	5,104,601	2,355,441
EXCESS OF REVENUES OVER EXPENSES	\$ 5,184,512	\$ 1,526,087	\$ 3,658,425

NOTE TO SCHEDULE

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on an annual basis that is consistent with U.S. GAAP.

Appropriations are adopted by resolution in total.



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

Board of Directors
Eastern Rio Blanco County Health Service District
dba: Pioneers Medical Center
Meeker, 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 Eastern Rio Blanco County Health Service District dba: Pioneers Medical Center (the District), which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters


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

The District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Denver, Colorado
September 29, 2022

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021**

2021-001 Misstatements Detected by the Audit

As part of the audit, adjusting journal entries were proposed to properly state the balances of the general ledger accounts as of December 31, 2021. Without these adjustments, the financial statements would be materially misstated.

Management Response

The District's accounting department has developed a systematic journal entry log system to manage consistent standard journal entries. Now, only the Controller and the Accountant are authorized to post journal entries in accordance with the new Journal Entry Accounting Policy which includes the CFO signing off on the Controller's journal entries. The Controller will review and approve the Accountant's journal entries. The District is also in the process of training the Accounting/Payroll Clerk to help with accounting duties. The District has hired a Staff Accountant to help with the workload. The Controller will be held responsible to enforce all Generally Accepted Accounting Principles.

2021-002 General Ledger Account Reconciliation and Review Process

As part of the audit, we noted there were not always monthly reconciliations being performed around the balance sheet accounts, there were reconciliations performed with unidentified variances, or there was missing documentation showing that a review of the journal entry had occurred. As a result, there could be material misstatements within the financial statements due to accounts not being fully reconciled, or there could be fictitious or erroneous entries posted due to lack of review over the entries.

Management Response

The District has developed a monthly reconciliation checklist for the balance sheet which the CFO approves. This is in addition to the new Journal Entry Accounting policy, which includes sign-offs from higher levels of management. The District has also hired a Staff Accountant to help with the workload and is training the Accounting/Payroll clerk to help with reconciliations.

2021-003 Property and Equipment Reconciliation

As part of the audit, we noted property and equipment and construction and progress accounts were not reconciled throughout fiscal year 2021. We also noted the property and equipment subledger has not been setup to track property and equipment. As a result, the financial statements could have been misstated. We recommend that all property and equipment and construction in progress accounts be reconciled to the general ledger monthly and that the District evaluate using the property and equipment subledger. This will help ensure that fixed assets are properly recorded within the financial statements.

Management Response

The District is working with the vendors to create better-itemized invoices separating the projects. Historically in the past all the projects have been consolidated on the invoices. This will also be subject to the new monthly reconciliation checklist and processes.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021**

2021-004 Segregation of Duties

As part of the audit, we noted there was turnover in the finance department in fiscal year 2021 and as a result there were not always the appropriate checks and balances in place. This could result in internal controls not always being properly in place or being overrode. We recommend the District continue to evaluate internal controls and implement the appropriate checks and balances.

Management Response

The District is bringing the staff back to basic Accounting, Controls, and Segregation of Duties in accordance with Generally Accepted Accounting Principles. In addition, the District created accounting policies and updated job descriptions to delineate accounting rolls to separate job functions from other areas.

2021-005 Third-Party Settlement Process

As part of the audit, we noted that the District does not have a process in place to estimate its cost report settlements with Medicare. As a critical access hospital, the Medicare cost report can have a significant impact on the District's financial statements and not properly estimating the settlement could result in the financial statements being misstated. We recommend the District put a process in place to estimate its cost report settlements with Medicare.

Management Response

The new CFO is working more diligently with the QHR (the management company) Cost Report Consultants to help review cost report activity and to develop a process to estimate cost report settlements.



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