

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022



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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 statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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, 2023 and 2022, and the results of their operations, changes in their net position, and their cash flows for the years 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 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
June 25, 2024

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ (226,267)	\$ 1,203,868
Investments	7,817,504	12,054,199
Receivables:		
Patient	5,658,113	8,037,364
Property Tax Levy	4,598,398	4,079,849
Lease Receivable	60,714	24,745
340B Receivable	182,120	109,866
Estimated Amounts Due from Third-Party Payors	356,392	962,000
Other	-	114,099
Supplies Inventory	1,067,164	1,053,578
Prepaid Expenses and Other	288,780	368,745
Total Current Assets	19,802,918	28,008,313
NONCURRENT CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents Restricted for Debt Service	7,473,313	7,382,194
Total Noncurrent Cash and Cash Equivalents	7,473,313	7,382,194
INVESTMENTS HELD AT COST	556,180	556,179
PROPERTY AND EQUIPMENT, NET	41,974,115	43,452,830
Total Assets	69,806,526	79,399,516
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Debt Refunding	513,201	623,172
Total Assets and Deferred Outflows	\$ 70,319,727	\$ 80,022,688

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022**

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2023	2022
CURRENT LIABILITIES		
Accounts Payable	\$ 1,091,310	\$ 1,227,293
Accounts Payable - Capital	-	320,331
Accrued Compensation and Related Liabilities	2,070,905	2,060,522
Current Maturities of Long-Term Debt	1,775,719	1,831,339
Current Portion of Lease Obligations	278,258	308,967
Unearned Revenue	600,000	-
Total Current Liabilities	5,816,192	5,748,452
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	28,132,148	29,898,441
Lease Obligations, Less Current Portion	236,628	447,052
Total Long-Term Liabilities	28,368,776	30,345,493
Total Liabilities	34,184,968	36,093,945
DEFERRED INFLOW FROM LEASE	60,714	24,745
DEFERRED INFLOWS FROM PROPERTY TAXES	4,585,590	4,079,849
NET POSITION		
Net Investment in Capital Assets	11,551,362	10,646,700
Nonspendable	1,067,164	1,053,578
Restricted by Creditor	7,473,313	7,382,194
Unrestricted	11,396,616	20,741,677
Total Net Assets	31,488,455	39,824,149
Total Liabilities, Deferred Inflows, and Net Position	\$ 70,319,727	\$ 80,022,688

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, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Net Patient Service Revenue (Net of Provision for Bad Debts of Approximately \$744,000 and \$3,508,000, respectively)	\$ 37,544,236	\$ 41,784,865
Grants	102,708	91,778
Other Revenue	2,920,827	1,338,916
Total Operating Revenues	40,567,771	43,215,559
OPERATING EXPENSES		
Salaries and Wages	18,059,009	15,816,004
Employee Benefits	6,243,432	5,346,922
Professional Fees and Purchased Services	9,769,956	8,670,198
Supplies	9,374,323	6,510,514
Utilities	792,178	689,517
Depreciation and Amortization	4,788,276	5,117,653
Insurance	368,192	186,927
Leases and Rentals	59,083	153,437
Repairs and Maintenance	1,187,809	959,625
Provider Fees	486,067	529,296
Other	1,376,394	1,279,661
Total Operating Expenses	52,504,719	45,259,754
OPERATING LOSS	(11,936,948)	(2,044,195)
NONOPERATING REVENUES (EXPENSES)		
Noncapital Grants, Contributions, and Other	689,711	316,499
Property Tax Revenues	4,229,640	3,620,131
Tax Collection Expense	(203,325)	(173,718)
Loss on Disposal of Property and Equipment	(351,163)	-
Interest Income	536,879	175,636
Interest Expense	(1,300,488)	(1,266,975)
Total Nonoperating Revenues	3,601,254	2,671,573
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(8,335,694)	627,378
Net Position - Beginning of Year	39,824,149	39,196,771
NET POSITION - END OF YEAR	\$ 31,488,455	\$ 39,824,149

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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 40,529,095	\$ 35,246,589
Payments to Suppliers and Contractors	(23,483,606)	(19,678,847)
Payments to Employees	(24,292,058)	(20,601,297)
Grants	102,708	91,778
Other Revenue	2,848,573	1,229,050
Net Cash Used by Operating Activities	(4,295,288)	(3,712,727)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes Supporting Operations	4,216,832	3,620,131
Payments for Tax Collections	(203,325)	(173,718)
Noncapital Grants, Contributions, and Other	1,403,809	316,499
Net Cash Provided by Noncapital Financing Activities	5,417,316	3,762,912
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Long-Term Debt	(1,821,913)	(1,844,387)
Principal Paid on Lease Obligations	(353,263)	(256,812)
Interest Paid on Long-Term Debt and Lease Obligations	(1,190,517)	(1,161,650)
Purchase of Property and Equipment	(3,868,925)	(5,981,741)
Net Cash Used by Capital and Related Financing Activities	(7,234,618)	(9,244,590)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	536,879	175,636
Purchase of Investments	(3,657,110)	(12,054,199)
Proceeds from Disposition of Investments	7,893,805	12,596,623
Cash Paid for Investment Held at Cost	-	(304,500)
Net Cash Provided by Investing Activities	4,773,574	413,560
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,339,016)	(8,780,845)
Cash and Cash Equivalents - Beginning of Year	8,586,062	17,366,907
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,247,046	\$ 8,586,062
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ (226,267)	\$ 1,203,868
Cash and Cash Equivalents Restricted for Debt Service	7,473,313	7,382,194
Total Cash and Cash Equivalents	\$ 7,247,046	\$ 8,586,062

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, 2023 AND 2022**

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (11,936,948)	\$ (2,044,195)
Depreciation and Amortization	4,788,276	5,117,653
Provision for Bad Debts	744,254	3,508,193
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	1,562,743	(6,025,026)
Other	-	21,467
Supplies Inventory	(13,586)	(313,279)
Prepaid Expenses	79,965	(3,830)
Accounts Payable	(135,983)	(382,563)
Accrued Compensation and Related Liabilities	10,383	561,629
Medicare Accelerated Payments Payable	-	(2,511,560)
Estimated Amounts to/from Third-Party Payors	605,608	(1,641,216)
Net Cash Used by Operating Activities	\$ (4,295,288)	\$ (3,712,727)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 1,190,517	\$ 1,161,650
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Accounts Payable - Capital	\$ -	\$ 320,331
Acquisition of Capital Under Lease Obligations	\$ 112,130	\$ 174,352

See accompanying Notes to Financial Statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 fair value. 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.

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.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable, Net (Continued)

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, 2023 and 2022, the allowance for uncollectible accounts was approximately \$2,121,000 and \$3,856,000, 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, 2023 and 2022.

Leases – Lessee

The District is a lessee for noncancellable leases of buildings and equipment. The District recognizes a lease liability and property and equipment in the financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – Lessee (Continued)

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leases – Lessor

The District is a lessor for a noncancellable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – Lessor (Continued)

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

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.

Net Position

The net position of the District is classified in four 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 8% of their financial support from property taxes in 2023 and 2022, 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 2023 and 2022.

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.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$110,000 and \$250,000 for 2023 and 2022, 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.

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, 2023 and 2022.

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 a lease receivable and property taxes assessed in the current year and levied in the subsequent year as a deferred inflows of resources as of December 31, 2023 and 2022.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Adoption of New Accounting Standards

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of an SCA or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District adopted this standard for fiscal year 2023 and the adoption of the standard had no impact on its financial statements.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The District adopted this standard for fiscal year 2023 and the adoption of the standard had no impact on its financial statements.

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.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 NET PATIENT SERVICE REVENUE (CONTINUED)

Hospital (Continued)

Medicare (Continued)

The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2020. 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. 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, 2023 and 2022, 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, 2023 AND 2022**

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:

	<u>2023</u>	<u>2022</u>
Gross Patient Service Revenue	\$ 79,265,742	\$ 68,337,512
Discounts and Adjustments:		
Medicare	16,046,129	16,776,231
Medicaid	3,069,337	3,347,491
Other	21,861,786	2,920,732
Provision for Bad Debts	744,254	3,508,193
Total Discounts and Adjustments	<u>41,721,506</u>	<u>26,552,647</u>
Total Net Patient Service Revenue	<u>\$ 37,544,236</u>	<u>\$ 41,784,865</u>

Revenue from Medicare and Medicaid programs accounted for approximately 35% and 4%, respectively, of the District's patient revenue for the year ended December 31, 2023 and 33% and 4%, respectively, of the District's patient revenue for the year ended December 31, 2022. 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, 2023 AND 2022**

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 consisted of the following:

	2023	2022
Receivable from Patients and Insurance Carriers	\$ 5,914,126	\$ 8,925,579
Receivable from Medicare	1,637,409	2,822,470
Receivable from Medicaid	227,578	145,315
Total Patient Accounts Receivable	7,779,113	11,893,364
Less Allowance for Uncollectible Accounts	(2,121,000)	(3,856,000)
Total Net Patient Accounts Receivable	\$ 5,658,113	\$ 8,037,364

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, 2023 and 2022, the District held certificates of deposits as investments which are carried at fair value and are considered Level 1 investments.

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, 2023 AND 2022**

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:

	2023					S&P Ratings
	Fair Value	No Maturity	Investment Maturities in Years			
			Less than 1	1 to 5	Over 5	
Certificates of Deposit	\$ 7,817,504	\$ -	\$ 7,817,504	\$ -	\$ -	Not Applicable

	2022					S&P Ratings
	Fair Value	No Maturity	Investment Maturities in Years			
			Less than 1	1 to 5	Over 5	
Certificates of Deposit	\$ 12,054,199	\$ -	\$ 12,054,199	\$ -	\$ -	Not Applicable

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment activity for the years ended December 31, 2023 and 2022 was as follows:

	2023				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 331,578	\$ 365,480	\$ (22,590)	\$ 12	\$ 674,480
Land Improvements	9,575,885	-	-	(1,012)	9,574,873
Buildings and Improvements	34,231,402	-	-	2,762,248	36,993,650
Equipment	34,928,965	248,684	(1,241,033)	1,143,981	35,080,597
Construction in Progress	858,669	3,046,560	-	(3,905,229)	-
Subtotal	79,926,499	3,660,724	(1,263,623)	-	82,323,600
Less Accumulated Depreciation:					
Land Improvements	(5,645,591)	(496,479)	22,590	-	(6,119,480)
Buildings and Improvements	(11,740,960)	(1,490,013)	-	-	(13,230,973)
Equipment	(19,087,118)	(2,801,784)	889,870	-	(20,999,032)
Subtotal	(36,473,669)	(4,788,276)	912,460	-	(40,349,485)
Property and Equipment, Net	<u>\$ 43,452,830</u>	<u>\$ (1,127,552)</u>	<u>\$ (351,163)</u>	<u>\$ -</u>	<u>\$ 41,974,115</u>
2022					
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 331,078	\$ 500	\$ -	\$ -	\$ 331,578
Land Improvements	9,541,769	34,116	-	-	9,575,885
Buildings and Improvements	30,055,070	3,852,531	-	323,801	34,231,402
Equipment	33,739,291	1,129,674	-	60,000	34,928,965
Construction in Progress	383,802	858,668	-	(383,801)	858,669
Subtotal	74,051,010	5,875,489	-	-	79,926,499
Less Accumulated Depreciation:					
Land Improvements	(4,853,190)	(792,401)	-	-	(5,645,591)
Buildings and Improvements	(9,898,480)	(1,842,480)	-	-	(11,740,960)
Equipment	(16,604,346)	(2,482,772)	-	-	(19,087,118)
Subtotal	(31,356,016)	(5,117,653)	-	-	(36,473,669)
Property and Equipment, Net	<u>\$ 42,694,994</u>	<u>\$ 757,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,452,830</u>

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 PROPERTY AND EQUIPMENT, NET (CONTINUED)

Lease assets are for building space and equipment and the original cost and accumulated depreciation is shown below:

	2023	2022
Equipment	\$ 987,130	\$ 1,140,552
Buildings	174,352	174,352
Less: Accumulated Depreciation	(712,001)	(545,832)
Total Assets Held Under Leases	\$ 449,481	\$ 769,072

Depreciation expense related to lease assets total \$166,169 and \$250,025 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 LONG-TERM DEBT

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

	2023				Amounts Due Within One Year
	Beginning Balance	Additions	Reduction	Ending Balance	
Long-Term Debt					
2019 Lease Agreement	\$ 30,564,594	\$ -	\$ (1,346,578)	\$ 29,218,016	\$ 1,290,801
2020 MRI Lease Agreement	1,165,186	-	(475,335)	689,851	484,918
Total Long-Term Debt	31,729,780	-	(1,821,913)	29,907,867	1,775,719
Lease Obligations	756,019	112,130	(353,263)	514,886	278,258
Total Long-Term Debt and Lease Obligations	\$ 32,485,799	\$ 112,130	\$ (2,175,176)	\$ 30,422,753	\$ 2,053,977
	2022				
Long-Term Debt					
2019 Lease Agreement	\$ 31,943,051	\$ -	\$ (1,378,457)	\$ 30,564,594	\$ 1,356,004
2020 MRI Lease Agreement	1,631,116	-	(465,930)	1,165,186	475,335
Total Long-Term Debt	33,574,167	-	(1,844,387)	31,729,780	1,831,339
Lease Obligations	838,479	174,352	(256,812)	756,019	308,967
Total Long-Term Debt and Lease Obligations	\$ 34,412,646	\$ 174,352	\$ (2,101,199)	\$ 32,485,799	\$ 2,140,306

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 LONG-TERM DEBT (CONTINUED)

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.

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

- 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 lease obligation is collateralized by the MRI machine.
- 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 lease obligation is collateralized by the surgical instruments. The lease obligation was terminated early in fiscal year 2023.
- Lease obligation payable to Smith & Nephew Capital, in the original amount of \$112,130, due in quarterly installments of \$11,213 through July 2025. The lease obligation is collateralized by the surgical instruments.
- Lease obligation payable to Stryker, in the original amount of \$128,032, due in monthly installments of \$3,775 through December 2023. The lease obligation was collateralized by the equipment. This lease obligation was paid in full during fiscal year 2023.
- Lease obligation payable to landlord, in the original amount of \$174,352, due in monthly installments of \$5,000 through November 2025. The lease obligation is collateralized by the building space.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 LONG-TERM DEBT (CONTINUED)

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. The District was not in compliance with its debt-service coverage ratio and days cash on hand ratio as of December 31, 2023. As a result management has obtained a waiver of the covenant violations from the lenders. Management believes the District was in compliance with the other restrictive covenants at December 31, 2023.

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>
2024	\$ 2,887,994	\$ 1,775,719	\$ 1,112,275
2025	2,717,998	1,669,293	1,048,705
2026	2,512,043	1,521,744	990,299
2027	2,512,043	1,581,376	930,667
2028	2,512,043	1,643,345	868,698
2029-2033	12,560,217	9,234,662	3,325,555
2034-2038	12,560,217	11,191,515	1,368,702
2039	1,304,197	1,290,213	13,984
Total	<u>\$ 39,566,752</u>	<u>\$ 29,907,867</u>	<u>\$ 9,658,885</u>

Scheduled principal and interest payments on lease obligations are as follows:

<u>Year Ending December 31,</u>	Total to Be		
	<u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 284,872	\$ 278,258	\$ 6,614
2025	238,613	236,628	1,985
Total	<u>\$ 523,485</u>	<u>\$ 514,886</u>	<u>\$ 8,599</u>

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.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 RETIREMENT PLAN (CONTINUED)

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, 2023 and 2022 were approximately \$206,000 and \$192,000, respectively. Participant contributions to the 401(a) Plan during the years ending December 31, 2023 and 2022, were approximately \$886,000 and \$779,000, respectively. The District made matching contributions to the 401(a) Plan of approximately \$885,000 and \$775,000, during the years ending December 31, 2023 and 2022, respectively.

Forfeitures of approximately \$135,000 and \$131,000 during the years ending December 31, 2023 and 2022, 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.

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.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 COMMITMENT AND CONTINGENCIES (CONTINUED)

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 \$75,000 in claims per eligible participant. The District also purchases annual stop-loss insurance coverage for all claims in excess of \$75,000 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 2023 and 2022 is summarized as follows:

	2023	2022
Claim Liability, Beginning of Year	\$ 617,771	\$ 409,797
Current Year Claims and Changes in Estimate	3,914,701	3,214,503
Claims Payment	(3,782,472)	(3,006,529)
Claim Liability, End of Year	\$ 750,000	\$ 617,771

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, 2028. Total payments to QHR during 2023 and 2022 were approximately \$448,000 and \$344,000, respectively.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 COMMITMENT AND CONTINGENCIES (CONTINUED)

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.

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.

**EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 COMMITMENT AND CONTINGENCIES (CONTINUED)

Health Care Legislation and Regulation (Continued)

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.

EASTERN RIO BLANCO COUNTY HEALTH SERVICE DISTRICT
DBA: PIONEERS MEDICAL CENTER
BUDGETED AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION)

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net Patient Service Revenue	\$ 37,544,236	\$ 43,029,919	\$ (5,485,683)
Other Operating Revenues	3,023,535	891,966	2,131,569
Total Operating Revenues	40,567,771	43,921,885	(3,354,114)
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	24,302,441	24,985,784	(683,343)
Other	28,202,278	20,731,519	7,470,759
Total Operating Expenses	52,504,719	45,717,303	6,787,416
OPERATING LOSS	(11,936,948)	(1,795,418)	(10,141,530)
NONOPERATING GAINS	3,601,254	2,693,754	907,500
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (8,335,694)	\$ 898,336	\$ (9,234,030)

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, 2023, 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 June 25, 2024.

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) as a basis for designing 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. 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 have not been identified.

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

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 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 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
June 25, 2024



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