

Rangely Hospital District doing business as Rangely District Hospital

Basic Financial Statements and
Independent Auditors' Report

December 31, 2023 and 2022



Rangely Hospital District
doing business as Rangely District Hospital
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rangely Hospital District
doing business as Rangely District Hospital
Rangely, Colorado

Opinion

We have audited the accompanying financial statements of Rangely Hospital District doing business as Rangely District Hospital (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2023 and 2022, and the changes in financial position and its 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, including omissions, 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, 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of budget and actual revenues and expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D3A PLLC

Spokane Valley, Washington
July 16, 2024

Rangely Hospital District
doing business as Rangely District Hospital
Statements of Net Position
December 31, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
<i>Current assets</i>		
Cash and cash equivalents	\$ 9,822,957	\$ 11,069,610
Receivables:		
Patient accounts	970,270	1,546,292
Property taxes	7,875,781	6,817,980
Other	849,780	394,985
Estimated third-party payor settlements	1,276,243	197,221
Inventories	736,570	690,479
Prepaid expenses	374,142	376,461
Total current assets	21,905,743	21,093,028
<i>Noncurrent assets</i>		
Assets limited as to use, cash and cash equivalents	516,450	548,818
Investment in Healthcare Management, LLC	67,563	67,563
Capital assets, net	20,454,524	18,837,839
Total noncurrent assets	21,038,537	19,454,220
Total assets	42,944,280	40,547,248
<i>Deferred outflows of resources, deferred charge on debt refunding</i>	211,455	286,086
Total assets and deferred outflows of resources	\$ 43,155,735	\$ 40,833,334

See accompanying notes to basic financial statements.

Rangely Hospital District
doing business as Rangely District Hospital
Statements of Net Position (Continued)
December 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2023	2022
<i>Current liabilities</i>		
Accounts payable	\$ 241,211	\$ 928,963
Capital accounts payable	906,657	226,095
Accrued compensation and related liabilities	1,007,038	833,287
Current maturities of long-term debt and lease liabilities	3,115,237	3,015,873
Unearned revenues	21,505	22,143
Interest payable	18,848	25,679
Total current liabilities	5,310,496	5,052,040
<i>Noncurrent liabilities</i>		
Long-term debt and lease liabilities, net of current maturities	5,359,836	8,203,826
Total liabilities	10,670,332	13,255,866
<i>Deferred inflows of resources, property taxes</i>	7,880,337	6,817,980
Total liabilities and deferred inflows of resources	18,550,669	20,073,846
<i>Net position</i>		
Net investment in capital assets	11,265,401	7,652,452
Unrestricted	12,839,298	12,579,265
Restricted	500,367	527,771
Total net position	24,605,066	20,759,488
Total liabilities, deferred inflows of resources, and net position	\$ 43,155,735	\$ 40,833,334

See accompanying notes to basic financial statements.

Rangely Hospital District
doing business as Rangely District Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Operating revenues</i>		
Net patient service revenue	\$ 16,946,145	\$ 16,105,116
Other	1,412,743	543,162
Total operating revenues	18,358,888	16,648,278
<i>Operating expenses</i>		
Salaries and wages	8,645,911	8,326,326
Employee benefits	2,878,736	2,786,146
Professional fees and other purchased services	3,120,949	3,082,808
Supplies	3,402,783	3,081,281
Depreciation and amortization	1,730,497	2,057,446
Utilities	355,090	345,001
Repairs and maintenance	221,277	191,398
Other	861,264	721,077
Total operating expenses	21,216,507	20,591,483
<i>Operating loss</i>	(2,857,619)	(3,943,205)
<i>Nonoperating revenues (expenses)</i>		
Property taxes	7,013,367	6,438,482
CARES Act Provider Relief Fund	-	651,203
Grants and contributions	11,673	446,912
Investment income	252,565	9,470
Tax collection expense	(341,174)	(312,767)
Interest expense	(233,234)	(288,840)
Total nonoperating revenues net	6,703,197	6,944,460
Change in net position	3,845,578	3,001,255
Net position, beginning of year	20,759,488	17,758,233
Net position, end of year	\$ 24,605,066	\$ 20,759,488

See accompanying notes to basic financial statements.

Rangely Hospital District
doing business as Rangely District Hospital
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 16,443,145	\$ 15,184,828
Cash received from other revenue	851,112	379,922
Payments to and on behalf of employees	(11,350,896)	(11,161,044)
Payments to suppliers and contractors	(8,692,886)	(7,172,127)
Net cash from operating activities	(2,749,525)	(2,768,421)
<i>Cash flows from noncapital financing activities</i>		
Property taxes for maintenance and operations	3,778,158	3,189,319
Proceeds from grants and contributions	123,446	62,609
Payments for tax collection	(341,174)	(312,767)
Net cash from noncapital financing activities	3,560,430	2,939,161
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(2,416,417)	(1,660,241)
Principal paid on long-term debt and lease liability	(3,000,405)	(2,964,295)
Interest paid on long-term debt and lease liability	(165,434)	(256,676)
Property taxes for bond principal and interest	3,239,765	3,249,163
Net cash from capital and related financing activities	(2,342,491)	(1,632,049)
<i>Cash flows from investing activities</i>		
Investment income	252,565	26,121
Net change in cash and cash equivalents	(1,279,021)	(1,435,188)
Cash and cash equivalents, beginning of year	11,618,428	13,053,616
Cash and cash equivalents, end of year	\$ 10,339,407	\$ 11,618,428

Rangely Hospital District
doing business as Rangely District Hospital
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 9,822,957	\$ 11,069,610
Assets limited as to use, cash and cash equivalents	516,450	548,818
Total cash and cash equivalents	\$ 10,339,407	\$ 11,618,428
<i>Reconciliation of Operating Loss to Net Cash From Operating Activities</i>		
Operating loss	\$ (2,857,619)	\$ (3,943,205)
<i>Adjustments to reconcile operating loss to net cash from operating activities:</i>		
Depreciation and amortization	1,730,497	2,057,446
Provision for bad debts	1,044,997	104,989
Disposal of capital assets	5,576	23,800
(Increase) decrease in assets:		
Receivables:		
Patient accounts receivable	(468,975)	(791,602)
Estimated third-party payor settlements	(1,079,022)	(197,221)
Other	(567,207)	(187,040)
Inventories	(46,090)	(73,524)
Prepaid expenses	2,319	(75,341)
Increase (decrease) in liabilities:		
Accounts payable	(687,752)	398,303
Accrued compensation and related liabilities	173,751	(48,572)
Estimated third-party payor settlements	-	(36,454)
Net cash from operating activities	\$ (2,749,525)	\$ (2,768,421)

Noncash capital financing activities

During the years ended December 31, 2023 and 2022, the District recognized lease right-of-use assets and related liabilities totaling \$268,519 and \$492,837, respectively.

See accompanying notes to basic financial statements.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Rangely Hospital District was created in 1959 and is doing business as the Rangely District Hospital (the District). The 25-bed critical access hospital provides the following services: emergency room, in-patient care, out-patient care, clinic, laboratory, occupational health, respiratory therapy, physical therapy, radiology, home health, pharmacy, long-term care, procedure center, ambulance, and assisted living. The District operates under laws of the state of Colorado and by an elected five-member board. As organized, the District is exempt from payment of federal income taxes. The District is not a component unit of another government entity. The District does not have any material component units.

b. Summary of Significant Accounting Policies

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

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

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

Inventories – Supply inventories are stated at cost, determined using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operations of the District.

Prepaid expenses – Prepaid expenses are expenses paid during the years relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit of the related expense.

Assets limited as to use – Assets limited as to use include assets reserved for debt service, assets designated by the Board for capital asset acquisitions, and an externally restricted scholarship endowment fund.

**Rangely Hospital District
 doing business as Rangely District Hospital
 Notes to Basic Financial Statements (Continued)
 Years Ended December 31, 2023 and 2022**

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Capital assets – It is the District’s policy to capitalize property and equipment over \$5,000 and a useful life of at least one year; lesser amounts are expensed. Such assets, other than lease assets, are recorded at historical cost if purchased or contracted. Donated capital assets are stated at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are charged to operations as incurred. Lease assets are stated at the present value of the future lease payments plus any payments made at or before the start of the lease and costs to place the asset in service. Lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Gains or losses on sale of retirements are included in nonoperating revenues and expenses. Depreciation is provided over the estimated useful lives of assets as determined from the American Hospital Associations published tables and management’s estimate by the straight-line method using these asset lives:

Estimated useful lives are as follows:

Land improvements	5 to 40 years
Buildings and improvements	5 to 40 years
Major moveable equipment	3 to 20 years
Lease right-of-use assets:	
Equipment	3 to 10 years

Compensated absences – The District’s policies permit most employees to accumulate benefits for paid time off (PTO). The expense and the related liability are recognized as PTO benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rate in effect at the statement of net position dates plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date. PTO hours accrue up to 168 hours per year for employees with up to 59 months of service, up to 208 hours for 60-119 months of service, and up to 248 hours for 120 months of service and above. The maximum number of PTO hours that an employee can carry forward from one year to the next is 320 hours for those with up to 119 months of service and 400 hours for those with 120 months of service and above.

Net position – Net position of the District is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the District’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services other than financing costs.

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

Grants and contributions – From time to time, the District receives grants from the state of Colorado and others, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Change in accounting principle – In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-of-use subscription asset — an intangible asset — and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District’s year ended December 31, 2023.

The District adopted GASB Statement No. 87 during the year ended December 31, 2023. The implementation of Statement No. 96 had no significant effect on the District’s financial statements. The District did not restate the financial statements for the year ended December 31, 2022, for Statement No. 96 due to insufficient resources available to do so and due to management’s determination that the restatement would not provide significant benefit to the financial statement users.

Reclassifications – Certain amounts have been reclassified in the 2022 financial statements in order to be consistent with the 2023 financial statements. These reclassifications had no effect on previously reported change in net position.

Subsequent events – The District has evaluated subsequent events and transactions through July 16, 2024, the date on which the financial statements were available to be issued.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

2. Deposits and Investments:

Deposits – Under Colorado State statute, the Commercial Bank Code Public Deposit Protection Act of 1989 (PDPA) protects public funds held in bank deposit accounts in the event that the bank holding the public deposits becomes insolvent. As defined by the PDPA, deposit accounts include checking, savings, bank money market, and certificate of deposit accounts. Banks must deliver bank assets (usually securities) to a third-party institution, which are pledged to the Colorado Division of Banking, for all Colorado public depositors.

The District's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation or by deposits collateralized by securities not held in the District's name under the PDPA.

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned.

Investments – Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker's acceptance notes, commercial paper, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third party on behalf of the local government.

At December 31, 2023 and 2022, the District had \$116,231 and \$118,346, respectively, invested in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District's investment in COLOTRUST was rated AAAM by Standard & Poor's.

The District is a founding member of Western Healthcare Alliance, a group of rural hospitals, since 1989 and through that organization became an owner of Healthcare Management, LLC (the Company) in 1993. The Company provides collection agency services through A-1 Collections and healthcare consulting services through Western Healthcare Alliance. The District has a 1.03 percent equity interest in the Company. The equity interest value is approximately \$68,000 as of December 31, 2023 and 2022, based on K-1 information.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted, is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts for self-pay patients increased compared to the prior year due to sending more accounts to collections and a change in how the District recorded the accounts at collections. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

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

	2023	2022
Receivable from patients and their insurance carriers	\$ 2,296,382	\$ 2,051,685
Receivable from Medicare	541,441	614,180
Receivable from Medicaid	214,934	159,684
Total patient accounts receivable	3,052,757	2,825,549
Less allowance for uncollectible accounts	(2,082,487)	(1,279,257)
Patient accounts receivable, net	\$ 970,270	\$ 1,546,292

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

4. Assets Limited as to Use:

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

	2023	2022
<i>Noncurrent assets</i>		
Cash and cash equivalents:		
Debt service funds	\$ 455,551	\$ 483,176
Donor restricted funds	44,816	44,595
Board designated funds	16,083	21,047
Total assets limited as to use	\$ 516,450	\$ 548,818

5. Capital Assets:

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

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
<i>Capital assets not being depreciated or amortized</i>					
Land	\$ 463,118	\$ -	\$ -	\$ -	\$ 463,118
Construction in progress	1,633,345	2,476,743	-	(990,100)	3,119,988
Total capital assets not being depreciated or amortized	2,096,463	2,476,743	-	(990,100)	3,583,106
<i>Capital assets being depreciated or amortized</i>					
Land improvements	602,458	-	-	-	602,458
Buildings and improvements	31,753,686	357,441	-	-	32,111,127
Major movable equipment	11,395,204	250,055	(922,095)	990,100	11,713,264
Lease right-of-use assets - equipment	595,602	268,519	-	-	864,121
Total capital assets being depreciated or amortized	44,346,950	876,015	(922,095)	990,100	45,290,970
<i>Less accumulated depreciation and amortization</i>					
Land improvements	571,096	12,316	-	-	583,412
Buildings and improvements	16,858,972	1,089,848	-	-	17,948,820
Major movable equipment	9,995,155	549,583	(916,519)	-	9,628,219
Lease right-of-use assets - equipment	180,351	78,750	-	-	259,101
Total accumulated depreciation and amortization	27,605,574	1,730,497	(916,519)	-	28,419,552
Total capital assets being depreciated or amortized	16,741,376	(854,482)	(5,576)	990,100	16,871,418
Capital assets, net	\$ 18,837,839	\$ 1,622,261	\$ (5,576)	\$ -	\$ 20,454,524

Construction in progress as of December 31, 2023, is primarily composed of costs related to renovation of the surgery suite. The remaining cost to complete the surgery suite as of December 31, 2023, was approximately \$1.2 million and the project was completed in the first quarter of 2024.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

6. Long-term Debt and Capital Lease Obligations:

A schedule of changes in the District’s long-term debt and lease liabilities are as follows:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
2021 Revenue Refunding Loan	\$ 10,800,000	\$ -	\$ (2,930,000)	\$ 7,870,000	\$ 2,990,000
Lease liabilities	419,699	255,779	(70,405)	605,073	125,237
Total long-term debt and other noncurrent liabilities	\$ 11,219,699	\$ 255,779	\$ (3,000,405)	\$ 8,475,073	\$ 3,115,237

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
2021 Revenue Refunding Loan	\$ 13,650,000	\$ -	\$ (2,850,000)	\$ 10,800,000	\$ 2,930,000
Lease liabilities	41,157	492,837	(114,295)	419,699	85,873
Total long-term debt and other noncurrent liabilities	\$ 13,691,157	\$ 492,837	\$ (2,964,295)	\$ 11,219,699	\$ 3,015,873

The terms and due dates of the District’s long-term debt and lease liabilities are as follows:

Revenue Refunding Loan – The District issued a general obligation loan, “2021 Revenue Refunding Loan,” on August 4, 2021, with a general obligation totaling \$13,650,000. Principal payment on the Series 2021 loan began on November 1, 2022, payable in annual principal installments ranging from \$1,975,000 to \$2,990,000, plus interest of 1.42 percent through December 2026.

The Bond Resolution establishes the “Rangely Hospital District General Obligation Loan, Series 2021, Reserve Fund” (the Reserve Fund) as additional security for the Series 2021 Loan. The Reserve Fund is included with assets limited as to use in the financial statements. Debt service payments for the 2021 Revenue Refunding Loan will be made from tax revenue.

Lease liabilities – Various lease obligations are payable to various lenders in the aggregate original amount of approximately \$800,000, due in monthly payments between \$100 and \$4,417, including interest from 3 to 8.5 percent, through December 2033. The District’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

Years Ending December 31,	Long-term Debt		Lease Obligations	
	Principal	Interest	Principal	Interest
2024	\$ 2,990,000	\$ 113,617	\$ 125,237	\$ 27,013
2025	2,905,000	70,258	98,937	20,967
2026	1,975,000	28,512	67,741	16,419
2027	-	-	45,292	12,992
2028	-	-	45,794	11,074
2029-2033	-	-	222,072	24,349
	\$ 7,870,000	\$ 212,387	\$ 605,073	\$ 112,814

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

7. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have not changed significantly from prior year.

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

- *Medicare* – The District has been designated a critical access hospital and Rangely Family Medicine as a rural health clinic by Medicare, and are reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The District is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule.
- *Medicaid* – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are paid based on prospectively determined rates. Rural health clinic encounters are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid. Physician services are reimbursed on a fee schedule.
- *Other* – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$256,000 and decreased by approximately \$124,000 in the years ended December 31, 2023 and 2022, respectively, due to differences between original estimates and final settlements or revised estimates.

The District is reimbursed for Medicaid rural health clinic rates at the higher of the prospectively determined rate or the cost per encounter as determined by the District's annual Medicare cost reports. For the years ended December 31, 2023 and 2022, the District has estimated receivables of approximately \$270,000 and \$167,000, respectively, for Medicaid rural health clinic settlements.

**Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022**

7. Net Patient Service Revenue (continued):

Under the Colorado Health Care Affordability Act (Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under this Act.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The District did not have significant costs of caring for charity care patients for the years ended December 31, 2023 and 2022. The District received no gifts or grants to subsidize the cost of caring for charity care patients in 2023 or 2022.

8. Property Taxes:

The Rio Blanco County Treasurer acts as an agent to assess and collect property taxes levied in the County for all taxing authorities. Property taxes are levied and assessed in December on property values assessed as of January 1 of the prior year.

Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. The assessed property is subject to lien on the levy date. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. No allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates. A deferred inflow of resources and a receivable were recorded at December 31, 2023 and 2022, for taxes levied for 2023 and 2022, respectively.

For 2023, the District's regular tax levy was \$13.050 per \$1,000 on a total assessed valuation of \$354,879,220, for a total regular levy of \$4,631,173. The District's debt service tax levy was \$9.200 per \$1,000, for a total debt service tax levy of \$3,258,798.

For 2022, the District's regular tax levy was \$13.050 per \$1,000 on a total assessed valuation of \$274,192,770, for a total regular levy of \$3,578,215. The District's debt service tax levy was \$11.800 per \$1,000, for a total debt service levy of \$3,239,765.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

9. Deferred Contribution Plans:

The District provides pension benefits for all of its full-time and part-time employees through two retirement plans: A Government Eligible 457 Plan (the 457 Plan), the Rangely District Hospital Deferred Compensation Plan for employee contributions; and a defined-contribution plan, the Rangely District Hospital Employees' Pension Plan (the 401a Plan) for employer contributions. The Retirement Plans are administered by American United Life Insurance Company (OneAmerica). The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of Plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they have been excluded from these financial statements.

Under the 457 Plan, the employee is eligible to participate after the first day of the month coinciding with or next following the date the employee completes three consecutive months of services. The employee may elect to reduce their compensation by a specific percentage or dollar amount and have that amount contributed to the plan. The employee is always 100 percent vested in all their accounts in the plan. Total employee contributions were \$277,661 and \$319,310 in the years ended December 31, 2023 and 2022, respectively.

Under the 401a Plan, the employee is eligible to participate after 12 consecutive months of service in which an employee completes 1,000 or more hours. Employee participation will begin on January 1 or July 1 coinciding with or immediately following the fulfillment of the eligibility requirement. The District is required to contribute up to 4 percent of the employee's wages for all eligible employees. The District contributions vest at: less than two years of service, 0 percent; two but less than three years of service, 20 percent; three but less than four years of service, 60 percent; four but less than five years of service, 80 percent; and five or more years of service, 100 percent. The District's total contributions were \$157,837 and \$163,418 in the years ended December 31, 2023 and 2022, respectively.

10. Contingencies and Commitments:

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

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

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Rangely Hospital District
doing business as Rangely District Hospital
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2023 and 2022

10. Contingencies and Commitments (continued):

Industry regulations (continued) – Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Taxpayer’s Bill of Rights – Colorado voters passed an amendment to the state constitution, Article X, Section 20, known as the Taxpayer’s Bill of Rights (TABOR). This amendment has several limitations including revenue raising, spending abilities, and other specific requirements of the state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

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

Contingency – The District is currently disputing billed claims that were denied in the amount of approximately \$1.6 million. This estimated balance has not been reported as a receivable by the District as of December 31, 2023, because the matter has not been settled. Per the terms of its contract with Anthem, the District may resort to claim appeals and dispute resolution using mediation and binding arbitration. As of the date of the audit report, this matter has not been resolved.

11. Concentration of Credit Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The following is the mix of receivables from patients and third-party payors reported by the District:

	2023	2022
Medicare	18 %	24 %
Medicaid	10	8
Other third-party payors	21	17
Patients	51	51
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on District operations.

12. Subsequent Event:

The District received a grant from the state of Colorado in 2024 for \$596,472 for the District’s MRI suite project. The total project cost is approximately \$4 million.

SUPPLEMENTARY INFORMATION

Rangely Hospital District
doing business as Rangely District Hospital
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2023

	2023	Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 16,946,145	\$ 17,026,308	\$ (80,163)
Other	1,412,743	-	1,412,743
Total operating revenues	18,358,888	17,026,308	1,332,580
<i>Operating expenses</i>			
Salaries and wages	8,645,911	9,767,412	1,121,501
Employee benefits	2,878,736	3,403,452	524,716
Professional fees and other purchased services	3,120,949	3,071,988	(48,961)
Supplies	3,402,783	2,780,484	(622,299)
Depreciation and amortization	1,730,497	2,288,364	557,867
Utilities	355,090	382,656	27,566
Other	1,082,541	1,623,444	540,903
Total operating expenses	21,216,507	23,317,800	2,101,293
<i>Operating loss</i>	(2,857,619)	(6,291,492)	3,433,873
<i>Nonoperating revenues (expenses)</i>			
Property taxes	7,013,367	6,947,976	65,391
Other	(310,170)	(568,524)	258,354
Total nonoperating revenues, net	6,703,197	6,379,452	323,745
Change in net position	\$ 3,845,578	\$ 87,960	\$ 3,757,618

See accompanying independent auditors' report.