Grand River Hospital District
doing business as
Grand River Health

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2021 and 2020

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

Grand River Hospital District
doing business as Grand River Health
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DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand River Hospital District
doing business as Grand River Health
Rifle, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grand River Hospital District doing business as Grand River Health (the District) as of and for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

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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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2021. We issued a similar report for the year ended December 31, 2020, dated April 20, 2021, which has not been included with the 2021 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 20, 2022

Grand River Hospital District
doing business as Grand River Health
Statements of Net Position
December 31, 2021 and 2020

ASSETS	**2021**	**2020**
Current assets		
Cash and cash equivalents	**$ 4,906,456**	$ 1,257,843
Investments	**44,044,689**	39,805,480
Receivables:		
Patient accounts, net of estimated uncollectibles	**8,631,427**	9,139,938
Other	**602,487**	204,543
Property tax levy	**14,952,613**	16,640,400
Property taxes	**63,431**	946,609
Estimated third-party payor settlements	**3,475,298**	4,993,833
Inventories	**2,758,471**	2,979,150
Prepaid expenses	**466,192**	714,015
Total current assets	**79,901,064**	76,681,811
Noncurrent assets		
Cash and cash equivalents restricted for Memorial Trust Fund	**1,432,141**	1,125,803
Cash and cash equivalents restricted for bond repayment	**2,632,483**	1,333,426
Cash and cash equivalents restricted by bond for capital purchases	**-**	2,504,414
Investments restricted by bond for capital purchases	**4,166,904**	20,546,251
Investment in joint ventures	**1,240,151**	1,114,485
Capital assets, net	**156,270,389**	149,385,220
Total noncurrent assets	**165,742,068**	176,009,599
Total assets	**$ 245,643,132**	$ 252,691,410

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Net Position (Continued)
December 31, 2021 and 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2021	2020
Current liabilities		
Current maturities of long-term debt	**$ 3,385,000**	$ 3,225,000
Accounts payable	**2,314,225**	1,643,780
Accrued compensation and related liabilities	**7,248,867**	5,481,040
Accrued interest payable	**362,074**	362,074
Unearned CARES Act Provider Relief Fund	**-**	466,244
Total current liabilities	**13,310,166**	11,178,138
Noncurrent liabilities		
Capital accounts payable	**352,919**	4,981,096
Long-term debt, net of current maturities	**90,255,756**	94,444,241
Total noncurrent liabilities	**90,608,675**	99,425,337
Total liabilities	**103,918,841**	110,603,475
Deferred inflows of resources		
Deferred property tax levy	**14,952,613**	16,640,400
Net position		
Net investment in capital assets	**66,081,544**	69,423,474
Restricted for Memorial Trust Fund	**1,432,141**	1,125,803
Restricted for bond repayment	**2,632,483**	1,333,426
Unrestricted	**56,625,510**	53,564,832
Total net position	**126,771,678**	125,447,535
Total liabilities, deferred inflows of resources, and net position	**$ 245,643,132**	$ 252,691,410

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues		
Net patient service revenue, net of provision for bad debts	**$ 80,979,239**	$ 71,846,562
Other revenues	**1,135,902**	939,031
Total operating revenues	**82,115,141**	72,785,593
Operating expenses		
Salaries and wages	**44,961,673**	41,078,698
Employee benefits	**12,078,996**	14,568,255
Professional fees and other purchased services	**4,905,299**	4,202,258
Supplies	**12,553,962**	9,455,499
Depreciation	**10,069,907**	6,497,384
Utilities	**1,418,514**	1,112,931
Repairs and maintenance	**7,548,664**	6,389,534
Provider fees	**1,834,128**	1,951,271
Other	**3,801,708**	2,989,556
Total operating expenses	**99,172,851**	88,245,386
Operating loss	**(17,057,710)**	(15,459,793)
Nonoperating revenues (expenses)		
Taxation for operations	**9,222,503**	9,174,414
Taxation for bond principal and interest	**8,616,687**	8,328,904
Tax collection expense	**(349,696)**	(271,668)
Investment income	**443,982**	1,436,546
Contributions	**448,325**	219,673
Interest expense	**(3,541,403)**	(3,684,144)
CARES Act Provider Relief Fund and other COVID-19 funds	**3,541,455**	6,965,645
Total nonoperating revenues, net	**18,381,853**	22,169,370
Change in net position	**1,324,143**	6,709,577
Net position, beginning of year	**125,447,535**	118,737,958
Net position, end of year	**$ 126,771,678**	$ 125,447,535

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 83,006,285**	$ 72,574,444
Other receipts	**737,958**	982,397
Payments to and on behalf of employees	**(55,272,842)**	(56,006,655)
Payments to suppliers and contractors	**(30,923,328)**	(26,581,185)
Net cash used in operating activities	**(2,451,927)**	(9,030,999)
Cash flows from noncapital financing activities		
Taxation for operations	**10,105,681**	8,513,059
Payments for tax collection	**(349,696)**	(271,668)
Contributions	**448,325**	219,673
CARES Act Provider Relief Fund and other COVID-19 funds	**3,075,211**	7,431,889
Net cash provided by noncapital financing activities	**13,279,521**	15,892,953
Cash flows from capital and related financing activities		
Purchase of capital assets	**(21,583,253)**	(56,476,533)
Principal paid on long-term debt	**(3,225,000)**	(3,085,000)
Taxation for bond principal and interest	**8,616,687**	8,328,904
Interest paid	**(4,344,888)**	(4,498,398)
Net cash used in capital and related financing activities	**(20,536,454)**	(55,731,027)
Cash flows from investing activities		
Purchase of investments	**(23,700,000)**	(539,894)
Sale of investments	**36,080,500**	50,704,542
Interest on investments	**77,954**	-
Net cash provided by investing activities	**12,458,454**	50,164,648
Net increase in cash and cash equivalents	**2,749,594**	1,295,575
Cash and cash equivalents, beginning of year	**6,221,486**	4,925,911
Cash and cash equivalents, end of year	**$ 8,971,080**	$ 6,221,486

See accompanying notes to basic financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents in current assets	**$ 4,906,456**	$ 1,257,843
Cash and cash equivalents restricted for Memorial Trust Fund	**1,432,141**	1,125,803
Cash and cash equivalents restricted for bond repayment	**2,632,483**	1,333,426
Cash and cash equivalents restricted by bond for capital purchases	**-**	2,504,414
Total cash and cash equivalents	**$ 8,971,080**	$ 6,221,486
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	**$ (17,057,710)**	$ (15,459,793)
Adjustments to reconcile operating loss to net cash used in operating activities		
Provision for bad debts	**4,753,805**	6,814,107
Depreciation	**10,069,907**	6,497,384
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	**(4,245,294)**	(4,193,946)
Other	**(397,944)**	43,366
Estimated third-party payor settlements	**1,518,535**	(1,789,731)
Inventories	**220,679**	(449,658)
Prepaid expenses	**247,823**	109,524
Increase (decrease) in liabilities:		
Accounts payable	**670,445**	(140,002)
Accrued compensation and related liabilities	**1,767,827**	(359,702)
Estimated third-party payor settlements	**-**	(102,548)
Net cash used in operating activities	**$ (2,451,927)**	$ (9,030,999)

Noncash Financing and Investing Activities

During the years ended December 31, 2021 and 2020, the District recognized $366,028 and $1,436,546 in noncash investment income, respectively.

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Grand River Hospital District doing business as Grand River Health (the District) owns and operates Grand River Medical Center, a 25-bed acute care hospital (the Hospital) in Rifle, Colorado. Additionally, the District operates E. Dene Moore Memorial Home (the Nursing Home), Grand River Primary Care, and Grand River Health Clinic West. As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The District is governed by a Board of Directors (the Board) consisting of seven community members elected by the residents of the District. The District is not a component unit of another governmental entity.

As required by accounting principles generally accepted in the United States of America, the basic financial statements present the District – the primary government – and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operations and financial relationship with the District. The Grand River Hospital District Memorial Trust Fund (the Trust Fund) is a component unit of the District since its trustees are appointed from the District's Board.

The Trust Fund was established for the purpose of receiving and holding bequests and gifts to be distributed to the Hospital and the Nursing Home. Trustees of the Trust Fund are responsible for the appropriate disposition of funds. The Trust Fund's restricted resources are distributed to the Hospital or the Nursing Home as required to comply with purposes specified by donors. The Trust Fund's unrestricted resources are distributed to the Hospital or the Nursing Home in amounts and for purposes determined by the Trustees. The Trust Fund is presented as a blended component unit of the District. The assets, liabilities, revenues, and expenses are included in the District's financial statements.

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, liabilities, deferred outflows of resources and 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.

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

b. Summary of Significant Accounting Policies (continued)

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance, prepaid equipment maintenance expenses, and other expenses.

Capital assets – It is the District's policy to capitalize property and equipment over $5,000 and having a useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets other than land are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Amortization of assets subject to leases is reported with depreciation expense.

Estimated useful lives are as follows:

Land improvements	5 to 15 years
Buildings and fixed equipment	5 to 40 years
Equipment	2 to 20 years

Compensated absences – The District's policies permit most employees to accumulate vacation benefits that may be realized as paid time off, or in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation 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 statements 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 those dates.

Net position – The net position of the District is classified into three components. *Net investment in capital assets* consists of the District's capital assets net of accumulated depreciation and amortization 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 composed of 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 composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position.*

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.

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

b. Summary of Significant Accounting Policies (continued)

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.

Upcoming accounting standard pronouncements – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The new guidance is effective for the District's year ending December 31, 2022, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In May 2020, the 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-to-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 ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Subsequent events – The District has evaluated subsequent events through April 20, 2022, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Deposits – The Colorado Public Deposit Protection Act (CPDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the CPDPA.

Custodial credit risk is the risk that, in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

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, corporate securities, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in their name, or in the custody of a third-party on behalf of the local government.

The District invests in Wells Fargo Money Market Mutual Funds, commercial paper, corporate bonds, and United States Treasury notes. All funds are pooled, and a designated custodian provides safekeeping and depository service in connection with direct investment and withdrawal functions. Management believes there is no significant custodial, interest rate, or foreign currency risk exposure.

Concentration of credit risk – Defined as 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 single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

2. Bank Deposits and Investments (continued):

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's investments consisted of:

2021

	S&P Rating	Fair Value Measurement	Fair Value	Investment Maturities (in Years) Less Than One	One to Five
Commercial Paper	A-1	Level 2	**$ 33,780,157**	$ 33,780,157	$ -
Wells Fargo Money Market Mutual Funds	Not rated	Level 1	**14,431,436**	14,431,436	-
			$ 48,211,593	$ 48,211,593	$ -

2020

	S&P Rating	Fair Value Measurement	Fair Value	Investment Maturities (in Years) Less Than One	One to Five
United States Treasury Notes	Not rated	Level 1	**$ 10,075,195**	$ 10,075,195	$ -
United States Treasury Notes	Not rated	Level 2	**21,076,836**	21,076,836	-
Commercial Paper	A1	Level 2	**7,297,587**	7,297,587	-
Corporate Bonds	AA-	Level 2	**9,037,973**	9,037,973	-
Wells Fargo Money Market Mutual Funds	Not rated	Level 1	**12,864,140**	12,864,140	-
			$ 60,351,731	$ 60,351,731	$ -

A reconciliation of investments follows:

	2021	2020
Investments in current assets	**$ 44,044,689**	$ 39,805,480
Investments restricted by bond for capital purchases	**4,166,904**	20,546,251
Total investments, end of year	**$ 48,211,593**	$ 60,351,731

Fair value measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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 a 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 has decreased from the prior year due to a focus on collecting or writing off older accounts by the revenue cycle department. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

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

	2021	**2020**
Receivable from patients and their insurance carriers	**$ 11,004,802**	$ 13,633,840
Receivable from Medicare	**3,280,752**	3,880,667
Receivable from Medicaid	**1,302,920**	1,545,533
Total patient accounts receivable	**15,588,474**	19,060,040
Less allowance for uncollectible accounts	**6,957,047**	9,920,102
Patient accounts receivable, net	**$ 8,631,427**	$ 9,139,938

4. Investment in Joint Ventures:

The District holds an equity interest in Healthcare Management, LLC (the LLC). The District owns approximately 12 percent of the LLC. The value of the District's equity interest in the LLC was $988,250 and $1,022,763 as of December 31, 2021 and 2020, respectively.

The condensed balance sheets and statements of revenues, expenses, and changes in members' equity of the LLC are summarized as follows:

	2021	2020
Current assets	**$ 4,315,247**	$ 5,984,554
Noncurrent assets	**4,900,033**	4,877,657
Total assets	**$ 9,215,280**	$ 10,862,211
Current liabilities	**$ 1,275,883**	$ 1,147,039
Noncurrent liabilities	**-**	1,131,688
Total liabilities	**1,275,883**	2,278,727
Members' equity	**7,939,397**	8,583,484
Total liabilities and members' equity	**$ 9,215,280**	$ 10,862,211
Revenue	**$ 10,577,630**	$ 11,079,898
Expenses	**9,562,711**	10,024,431
Net income	**$ 1,014,919**	$ 1,055,467

The District holds an equity interest in CareFlight of the Rockies, LLC (CareFlight). The District owns approximately 4 percent of CareFlight. The value of the District's equity interest in the LLC was $251,901 and $91,722 as of December 31, 2021 and 2020.

5. Capital Assets:

A schedule of changes in capital assets follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Capital assets not being depreciated					
Land	$ 4,861,735	$ -	$ -	$ 2,007,103	**$ 6,868,838**
Land held for future development	2,007,103	-	-	(2,007,103)	**-**
Construction in progress	83,224,259	15,853,078	-	(98,550,185)	**527,152**
Total capital assets not being depreciated	90,093,097	15,853,078	-	(98,550,185)	**7,395,990**
Capital assets being depreciated					
Land improvements	352,775	-	-	3,507,124	**3,859,899**
Buildings and fixed equipment	78,043,204	161,633	-	91,039,062	**169,243,899**
Equipment	44,599,639	940,365	-	4,003,999	**49,544,003**
Total capital assets being depreciated	122,995,618	1,101,998	-	98,550,185	**222,647,801**
Less accumulated depreciation for					
Land improvements	242,374	218,704	-	-	**461,078**
Buildings and fixed equipment	29,354,857	5,864,808	-	-	**35,219,665**
Equipment	34,106,264	3,986,395	-	-	**38,092,659**
Total accumulated depreciation	63,703,495	10,069,907	-	-	**73,773,402**
Total capital assets being depreciated, net	59,292,123	(8,967,909)	-	98,550,185	**148,874,399**
Capital assets, net	$ 149,385,220	$ 6,885,169	$ -	$ -	**$ 156,270,389**

5. Capital Assets (continued):

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
Capital assets not being depreciated					
Land	$ 4,861,735	$ -	$ -	$ -	**$ 4,861,735**
Land held for future development	2,007,103	-	-	-	**2,007,103**
Construction in progress	26,375,033	56,849,226	-	-	**83,224,259**
Total capital assets not being depreciated	33,243,871	56,849,226	-	-	**90,093,097**
Capital assets being depreciated					
Land improvements	322,025	30,750	-	-	**352,775**
Buildings and fixed equipment	77,919,215	123,989	-	-	**78,043,204**
Equipment	43,800,887	798,752	-	-	**44,599,639**
Total capital assets being depreciated	122,042,127	953,491	-	-	**122,995,618**
Less accumulated depreciation for					
Land improvements	221,029	21,345	-	-	**242,374**
Buildings and fixed equipment	26,373,986	2,980,871	-	-	**29,354,857**
Equipment	30,611,096	3,495,168	-	-	**34,106,264**
Total accumulated depreciation	57,206,111	6,497,384	-	-	**63,703,495**
Total capital assets being depreciated, net	64,836,016	(5,543,893)	-	-	**59,292,123**
Capital assets, net	$ 98,079,887	$ 51,305,333	$ -	$ -	**$ 149,385,220**

Construction in progress at December 31, 2021, consisted primarily of an electronic imaging system, with estimated cost to complete of $75,000 and an estimated date of completion of July 2022. The electronic imaging system will be paid for with cash.

6. Healthcare Self-insurance:

The District partially self-insures the cost of employee healthcare benefits as it purchases annual stop-loss insurance coverage for all claims in excess of $150,000 per individual. An accrual for claims that have been incurred but not reported is included in the statements of net position in accrued compensation and related liabilities. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in the District's claim liability were as follows:

	2021	**2020**
Claim liability, beginning of year	**$ 1,187,671**	$ 1,065,467
Current year claims and changes in estimates	**4,538,955**	7,668,793
Claims payments	**(4,907,221)**	(7,546,589)
Claim liability, end of year	**$ 819,405**	$ 1,187,671

7. Long-term Debt:

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2020	**Additions**	**Reductions**	**Balance December 31, 2021**	**Amounts Due Within One Year**
General Obligation Bonds, 2018	$ 84,010,000	$ -	$ (3,225,000)	**$ 80,785,000**	**$ 3,385,000**
Bond premium, 2018	13,659,241	-	(803,485)	12,855,756	-
Total long-term debt	**$ 97,669,241**	**$ -**	**$ (4,028,485)**	**$ 93,640,756**	**$ 3,385,000**

	Balance December 31, 2019	**Additions**	**Reductions**	**Balance December 31, 2020**	**Amounts Due Within One Year**
General Obligation Bonds, 2010	$ 1,255,000	$ -	$ (1,255,000)	$ -	**$ -**
Bond premium, 2010	7,605	-	(7,605)	-	-
General Obligation Bonds, 2018	85,840,000	-	(1,830,000)	84,010,000	**3,225,000**
Bond premium, 2018	14,462,726	-	(803,485)	13,659,241	-
Total long-term debt	**$ 101,565,331**	**$ -**	**$ (3,896,090)**	**$ 97,669,241**	**$ 3,225,000**

7. Long-term Debt (continued):

The General Obligation Bonds Series 2018 (the Bonds) in the original amount of $89,400,000 are secured by the District's full faith and credit. The bonds mature annually at amounts ranging from $3,385,000 in 2022 to $7,195,000 in 2037, with semiannual interest payments at rates ranging from 5 percent to 5.25 percent.

The Bonds are general obligations of the District and are secured by an irrevocable pledge of the District to levy and collect taxes each year sufficient to pay the bond principal and interest payments when due. The District's Board approved the Bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

Scheduled principal and interest repayments are as follows:

Years Ending	General Obligation Bonds	
December 31,	Principal	Interest
2022	$ 3,385,000	$ 4,183,638
2023	3,555,000	4,014,388
2024	3,735,000	3,836,638
2025	3,920,000	3,649,888
2026	4,115,000	3,453,888
2027-2031	23,950,000	13,896,450
2032-2036	30,930,000	6,926,325
2037	7,195,000	377,735
	$ 80,785,000	**$ 40,338,950**

8. 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 decreased from the prior year due to improved collection rates from self-pay accounts. The District has not changed its charity care or uninsured discount policies during fiscal years 2021 or 2020. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows.

	2021	2020
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 27,393,366**	$ 25,607,889
Medicaid	**11,646,839**	10,793,900
Colorado Indigent Care Program and Medicaid Supplemental Payments	**6,537,064**	5,028,248
Other third-party payors	**29,948,615**	27,205,886
Patients	**11,418,431**	11,345,117
340(B) contract pharmacy program revenue	**1,463,799**	1,224,472
	88,408,114	81,205,512
Less:		
Charity care	**2,675,070**	2,544,843
Provision for bad debts	**4,753,805**	6,814,107
Net patient service revenue	**$ 80,979,239**	$ 71,846,562

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

- *Medicare* – The Hospital has been designated a critical access hospital, and Grand River Primary Care and Grand River Health Clinic West (the Clinics) as rural health clinics by Medicare. The Hospital and Clinics are reimbursed 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. The District is reimbursed for skilled nursing facility services under a prospective payment system.

8. Net Patient Service Revenue (continued):

- *Medicaid* – Hospital services rendered to Medicaid program beneficiaries are paid on a prospective payment system. Skilled nursing services are paid on prospectively determined rates per day. 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 decreased by approximately $288,000 and increased by approximately $340,000 in the years ended December 31, 2021 and 2020, respectively, due to differences between original estimates and final settlements or revised estimates.

During the year ended December 31, 2017, the District received notice that its Medicaid rural health clinic rates were being updated to the higher of the prospectively determined rate or the cost per encounter as determined by the District's annual Medicare cost reports. Rate reconciliations are being conducted by the Colorado Department of Health Care Policy and Financing. As a result, Medicaid claims from 2016 through 2019 are being reprocessed, resulting in estimated additional reimbursement of approximately $1,553,000. For the years ended December 31, 2021 and 2020, the District has estimated a receivable of approximately $324,000 and $768,000 for the rate reconciliation.

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 the Medicare cost report. The costs of caring for charity care patients were approximately $1,750,000 and $1,733,000 for the years ended December 31, 2021 and 2020, respectively. The District received approximately $6,537,000 and $5,028,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2021 and 2020, respectively, to subsidize the cost of caring for charity care patients and to cover the gap where cost of caring for Medicaid patients exceeds Medicaid payments.

9. CARES Act Provider Relief Fund:

During the years ended December 31, 2021 and 2020, the District received approximately $3,541,000 and $7,432,000, respectively, of funding from the CARES Act Provider Relief Fund and American Rescue Plan Rural Distribution. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. The District has recorded these funds as unearned grant revenue until eligible expenses or lost revenues are recognized. During the years ended December 31, 2021 and 2020, the District recognized $3,541,455 and $6,965,645 of grant revenue from these funds, respectively.

10. Commitments Under Noncancelable Operating Leases:

The District is committed under various noncancelable operating leases for buildings and equipment. These expire in various years through 2025. Future minimum operating lease payments are as follows:

Years Ending December 31,	Amount
2022	$ 369,876
2023	344,876
2024	286,816
2025	200,580
	$ 1,202,148

11. Property Taxes:

The Garfield County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually in December on property values assessed as of the same date. Assessed values are established by the County Assessor at fair market value. A revaluation of all property is required every two years. Ad valorem tax revenue is recognized in the period assessed to the extent such taxes are collected and available for use. The District received approximately 18 percent of its financial support in 2021 and 2020 from ad valorem taxes.

Taxes are due in either two equal installments on February 28 and June 16, or in one installment on April 30. Collections are distributed monthly to the District by the County Treasurer.

The District is permitted by law to levy up to $5.597 per $1,000 of assessed valuation for general District purposes. Colorado State Law, C.R.S. 39-5-121 and 39-5-128, limits the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people. The District has a fixed mill tax rate of $5.597 per $1,000, which will not be amended with population growth. For 2021, the District's total assessed valuation was $1,294,189,940, for a total regular levy of $7,232,717. For 2020, the District's total assessed valuation was $1,520,786,420, for a total regular levy of $8,511,842.

11. Property Taxes (continued):

The District has a bond levy rate of $5.974 per $1,000. For 2021, the District's total assessed valuation was $1,294,189,940, for a total bond levy of $7,719,895. For 2020, the District's total assessed valuation was $1,520,786,420, for a total bond levy of $8,128,558. This bond levy, approved by the voters in the November 2017 election, will be used to pay the principal and interest on the Bonds. Collections on this levy began in 2018.

Property taxes are recorded as receivables when levied. Since state law allows for the sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Deferred inflows of resources are recorded when the taxes are levied and recognized as tax revenues in the following fiscal year.

12. Deferred Compensation and Defined Contribution Plans:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District participates in the Grand River Hospital District 457 Deferred Compensation Plan, a 457 retirement plan (the 457 Plan) administered by One America Financial Partners, Inc. All full-time and part-time employees are eligible to participate in the 457 Plan through pre-tax payroll deductions. All monies are sent to the 457 account that has been set up for the employee each pay period and are vested immediately. The 457 Plan is available for all District employees and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their heirs until termination, retirement, death, or unforeseen emergency. Total employee contributions to the 457 Plan during 2021 and 2020 were $2,455,114 and $2,305,145, respectively.

The District provides pension benefits through the Grand River Hospital District Employer Retirement Plan (the 401a Plan), a defined contribution plan, under section 401(a) of the Internal Revenue Code. The plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the District to the plan plus investment earnings. After one year of service, the District will match 3 percent of salary for full-time and part-time employees who have contributed to the 457 Plan. Total employer contributions to the 401a Plan during 2021 and 2020 were $1,227,850 and $934,565, respectively.

Benefit terms including contribution requirements are established and may be amended by the District.

13. Risk Management and Contingencies:

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.

Medical malpractice claims – The District has its professional liability insurance with Copic Insurance (Copic). The Copic policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carriers in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The malpractice insurance provides $1,000,000 per claim with an additional aggregate limit of $3,000,000. The policy has a $100,000 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. Further, the District is subject to provisions of the Colorado Governmental Immunity Act which provides a limitation on the liability of the District.

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. 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, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

14. 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 agreements. The following is the mix of receivables from patients and third-party payors:

	2021	**2020**
Medicare	**37 %**	35 %
Medicaid	**15**	16
Other third-party payors	**27**	25
Patients	**21**	24
	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.

15. Blended Component Unit:

A condensed combining statement of net position as of December 31, 2021, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
Assets				
Current assets	$ 79,517,635	$ 1,365,885	$ (982,456)	**$ 79,901,064**
Capital assets, net	156,270,389	-	-	**156,270,389**
Other noncurrent assets	9,471,679	-	-	**9,471,679**
Total assets	**$ 245,259,703**	**$ 1,365,885**	**$ (982,456)**	**$ 245,643,132**
Liabilities				
Current liabilities	$ 13,310,166	$ 982,456	$ (982,456)	**$ 13,310,166**
Noncurrent liabilities, less current maturities	90,608,675	-	-	**90,608,675**
Total liabilities	103,918,841	982,456	(982,456)	**103,918,841**
Deferred inflows of resources				
Deferred property tax levy	14,952,613	-	-	**14,952,613**
Net position				
Net investment in capital assets	66,081,544	-	-	**66,081,544**
Restricted for Memorial Trust Fund	1,432,141	-	-	**1,432,141**
Restricted for bond repayment	2,632,483	-	-	**2,632,483**
Unrestricted	56,242,081	383,429	-	**56,625,510**
Total net position	126,388,249	383,429	-	**126,771,678**
Total liabilities, deferred inflows of resources, and net position	**$ 245,259,703**	**$ 1,365,885**	**$ (982,456)**	**$ 245,643,132**

15. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2021, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
Operating revenues				
Net patient service revenue, net of provision for bad debts	$ 80,979,239	$ -	$ -	**$ 80,979,239**
Other revenues	1,135,902	-	-	**1,135,902**
Total operating revenues	82,115,141	-	-	**82,115,141**
Operating expenses				
Depreciation	10,069,907	-	-	**10,069,907**
Other operating expenses	89,102,944	306,526	(306,526)	**89,102,944**
Total operating expenses	99,172,851	306,526	(306,526)	**99,172,851**
Operating loss	(17,057,710)	(306,526)	306,526	**(17,057,710)**
Nonoperating revenues (expenses)				
Taxation for operations	9,222,503	-	-	**9,222,503**
Taxation for bond principal and interest	8,616,687	-	-	**8,616,687**
Tax collection expense	(349,696)	-	-	**(349,696)**
Investment income	443,851	131	-	**443,982**
Contributions	448,644	306,207	(306,526)	**448,325**
Interest expense	(3,541,403)	-	-	**(3,541,403)**
CARES Act Provider Relief Fund and other COVID-19 funds	3,541,455	-	-	**3,541,455**
Total nonoperating revenues, net	18,382,041	306,338	(306,526)	**18,381,853**
Change in net position	1,324,331	(188)	-	**1,324,143**
Net position, beginning of year	125,063,918	383,617	-	**125,447,535**
Net position, end of year	**$ 126,388,249**	**$ 383,429**	**$ -**	**$ 126,771,678**

A condensed combining statement of cash flows for the year ended December 31, 2021, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
Net cash provided by (used in):				
Operating activities	$ (2,757,946)	$ 306,019	$ -	**$ (2,451,927)**
Noncapital financing activities	13,279,521	-	-	**13,279,521**
Capital and related financing activities	(20,536,454)	-	-	**(20,536,454)**
Investing activities	12,458,323	131	-	**12,458,454**
Net increase in cash and cash equivalents	2,443,444	306,150	-	**2,749,594**
Cash and cash equivalents, beginning of year	5,161,751	1,059,735	-	**6,221,486**
Cash and cash equivalents, end of year	**$ 7,605,195**	**$ 1,365,885**	**$ -**	**$ 8,971,080**

15. Blended Component Unit (continued):

A condensed combining statement of net position as of December 31, 2020, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
Assets				
Current assets	$ 76,298,194	$ 1,059,735	$ (676,118)	**$ 76,681,811**
Capital assets, net	149,385,220	-	-	**149,385,220**
Other noncurrent assets	26,624,379	-	-	**26,624,379**
Total assets	**$ 252,307,793**	**$ 1,059,735**	**$ (676,118)**	**$ 252,691,410**
Liabilities				
Current liabilities	$ 11,178,138	$ 676,118	$ (676,118)	**$ 11,178,138**
Noncurrent liabilities, less current maturities	99,425,337	-	-	**99,425,337**
Total liabilities	110,603,475	676,118	(676,118)	**110,603,475**
Deferred inflows of resources				
Deferred property tax levy	16,640,400	-	-	**16,640,400**
Net position				
Net investment in capital assets	69,423,474	-	-	**69,423,474**
Restricted for Memorial Trust Fund	1,125,803	-	-	**1,125,803**
Restricted for bond repayment	1,333,426	-	-	**1,333,426**
Unrestricted	53,181,215	383,617	-	**53,564,832**
Total net position	125,063,918	383,617	-	**125,447,535**
Total liabilities, deferred inflows of resources, and net position	**$ 252,307,793**	**$ 1,059,735**	**$ (676,118)**	**$ 252,691,410**

15. Blended Component Unit (continued):

A condensed combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2020, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
Operating revenues				
Net patient service revenue, net of provision for bad debts	$ 71,846,562	$ -	$ -	**$ 71,846,562**
Other revenues	939,031	-	-	**939,031**
Total operating revenues	72,785,593	-	-	**72,785,593**
Operating expenses				
Depreciation	6,497,384	-	-	**6,497,384**
Other operating expenses	81,748,002	-	-	**81,748,002**
Total operating expenses	88,245,386	-	-	**88,245,386**
Operating loss	(15,459,793)	-	-	**(15,459,793)**
Nonoperating revenues (expenses)				
Taxation for operations	9,174,414	-	-	**9,174,414**
Taxation for bond principal and interest	8,328,904	-	-	**8,328,904**
Tax collection expense	(271,668)	-	-	**(271,668)**
Investment income	1,436,515	31	-	**1,436,546**
Contributions	219,673	-	-	**219,673**
Interest expense	(3,684,144)	-	-	**(3,684,144)**
CARES Act Provider Relief Fund and other COVID-19 funds	6,965,645	-	-	**6,965,645**
Total nonoperating revenues, net	22,169,339	31	-	**22,169,370**
Change in net position	6,709,546	31	-	**6,709,577**
Net position, beginning of year	118,354,372	383,586	-	**118,737,958**
Net position, end of year	**$ 125,063,918**	**$ 383,617**	**$ -**	**$ 125,447,535**

A condensed combining statement of cash flows for the year ended December 31, 2020, is as follows:

	Grand River Hospital District	Grand River Hospital District Memorial Trust Fund	Eliminations	Combined
Net cash provided by (used in):				
Operating activities	$ (9,030,999)	$ -	$ -	**$ (9,030,999)**
Noncapital financing activities	15,892,953	-	-	**15,892,953**
Capital and related financing activities	(55,731,027)	-	-	**(55,731,027)**
Investing activities	50,164,617	31	-	**50,164,648**
Net increase in cash and cash equivalents	1,295,544	31	-	**1,295,575**
Cash and cash equivalents, beginning of year	3,866,207	1,059,704	-	**4,925,911**
Cash and cash equivalents, end of year	**$ 5,161,751**	**$ 1,059,735**	**$ -**	**$ 6,221,486**

SUPPLEMENTARY INFORMATION

Grand River Hospital District
doing business as Grand River Health
Budget and Actual Revenues and Expenses
Year Ended December 31, 2021

	Actual	Preliminary and Final Approved Budget	Favorable (Unfavorable) Variance
Operating revenues			
Net patient service revenue, net of provision for bad debts	**$ 80,979,239**	$ 86,137,219	$ (5,157,980)
Other revenues	**1,135,902**	956,500	179,402
Total operating revenues	**82,115,141**	87,093,719	(4,978,578)
Operating expenses			
Salaries and wages	**44,961,673**	46,497,342	1,535,669
Employee benefits	**12,078,996**	21,139,064	9,060,068
Professional fees and other purchased services	**4,905,299**	3,530,973	(1,374,326)
Supplies	**12,553,962**	10,676,902	(1,877,060)
Depreciation	**10,069,907**	10,577,372	507,465
Utilities	**1,418,514**	1,396,085	(22,429)
Other	**13,184,500**	12,834,301	(350,199)
Total operating expenses	**99,172,851**	106,652,039	7,479,188
Operating loss	**(17,057,710)**	(19,558,320)	2,500,610
Nonoperating revenues (expenses)			
Taxation	**17,489,494**	16,559,565	929,929
Investment income	**443,982**	-	443,982
Contributions	**448,325**	-	448,325
Interest expense	**(3,541,403)**	(4,758,872)	1,217,469
CARES Act Provider Relief Fund	**3,541,455**	-	3,541,455
Total nonoperating revenues, net	**18,381,853**	11,800,693	6,581,160
Change in net position	**$ 1,324,143**	$ (7,757,627)	$ 9,081,770

See accompanying independent auditors' report.

DINGUS | ZARECOR & ASSOCIATES PLLC
Certified Public Accountants

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
Grand River Hospital District
doing business as Grand River Health
Rifle, 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 Grand River Hospital District doing business as Grand River Health (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated April 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings and responses as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

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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 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.*

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dingus, Zarecor & Associates PLLC

Spokane Valley, Washington
April 20, 2022

Grand River Hospital District
doing business as Grand River Health
Schedule of Audit Findings and Responses
Year Ended December 31, 2021

2021-001 Auditor Detected Adjusting Journal Entries

Condition	Adjusting journal entries were proposed by the audit team to correct the allowance for uncollectible accounts and contractual adjustments, accounts receivable, refunds payable, bond interest payable, bond interest expense, construction in progress, capital asset cost, accumulated depreciation, depreciation expense, unrealized gain/loss on investments, taxes receivable, and tax revenue.
Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness District Board members, management, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. No material adjusting journal entries should be detected by the auditors during the audit process.
Cause	The District posted contractual adjustments to accounts receivable rather than to the appropriate contractual adjustment accounts, which also had the effect of understating the allowance for contractual adjustments. The District over-accrued bond interest payable and bond interest expense due to a clerical error. The District did not reconcile property tax receivables and property tax revenues to schedules from the county. See 2021-002 Capital Asset Reconciliation and Tracking and 2021-003 Cash and Investment Portfolio Tracking and Reconciliation for additional information.
Context	This finding appears to be a systemic issue.
Effect	Financial reports may be inaccurate and could affect the decision making of District management, the Board, state and federal agencies, and the public.

2021-001 Auditor Detected Adjusting Journal Entries (continued)

Recommendation	We recommend the District review its accounts receivable for large credit balances to ensure proper posting of contractual adjustments. We recommend the District review period-end accrual calculations for clerical accuracy. We recommend the District consider the reasonableness of all tax-related receivables and accrue accordingly. See 2021-002 Capital Asset Reconciliation and Tracking and 2021-003 Cash and Investment Portfolio Tracking and Reconciliation for additional information.
Management's Response	We agree with the audit findings and have hired qualified staff to assist us in implementing the recommendations.

2021-002 Capital Asset Reconciliation and Tracking

Condition	The District did not adequately reconcile its capital asset subledger to the general ledger during 2021. The subledger balance was approximately $1.4 million higher than the general ledger prior to audit adjustments. In addition, construction in progress accounts were not transferred to other capital asset categories as the assets were placed into service. The District's capital asset register erroneously calculated depreciation expense and accumulated depreciation related to 2021 additions, which caused the capital asset rollforward schedule to not balance. Land assets, which are non depreciable, are included with depreciable assets on the District's general ledger, which causes complication in reconciliation to the capital asset subledger. Material audit adjustments were proposed to correct and tie the general ledger to the capital asset register, correctly state construction in progress, correctly state depreciation expense and accumulated depreciation, and to correct the capital asset rollforward schedule.
Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Capital asset records should be updated as additions are placed into service and reconciled to the general ledger on a monthly basis.
Cause	The District did not adequately reconcile the capital asset records throughout or at the end of the fiscal year. The capital asset records were not reviewed to ensure depreciation expense and accumulated depreciation were calculated correctly.
Context	This finding appears to be a systemic issue.
Effect	Prior to audit adjustments, the capital asset subledger and the District's financial statements were materially misstated.

2021-002 Capital Asset Reconciliation and Tracking (continued)

Recommendation	We recommend the District reconcile the capital asset subledger to the general ledger on a monthly basis for capital asset historical cost, depreciation expense, and accumulated depreciation. Construction in progress accounts should also be reconciled on a monthly basis. We recommend the District add new capital asset additions to the capital asset subledger when such assets are placed into service using the appropriate useful life and ensuring the capital asset subledger calculates depreciation expense correctly for new and existing capital assets. We recommend the District report land assets in a general ledger account separate from all other depreciable fixed assets.
Management's Response	We agree with the audit findings and have hired qualified staff to assist us in implementing the recommendations.

2021-003 Cash and Investment Portfolio Tracking and Reconciliation

Condition	The District did not adequately track or reconcile investment activity, including purchases, sales, and investment income to its investment statements throughout 2021. In addition, manual journal entries were made to cash accounts in 2021 to reconcile the accounts to the monthly bank statements. No supporting documentation was maintained for adjustments to the cash accounts during the reconciliation process. A manual journal entry was recorded to investment and investment income in December 2021 to reconcile the investment balances to the year-end statement. However, this entry caused a material misstatement to investment income. A material audit adjustment was proposed to correct the investment income misstatement.
Criteria	[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness Investments, investment income, and cash accounts should be reconciled on a monthly basis to ensure all activity is tracked and recorded correctly.
Cause	Investment accounts were not adequately reconciled during the year. Year-end entries were posted to correct the investment balances. However, these entries caused a material misstatement to investment income. In addition, manual journal entries were recorded to cash accounts to get the accounts to reconcile to the bank statements; however, there was no rationale or supporting documentation maintained for these entries.
Context	This finding appears to be a systemic issue.
Effect	Prior to audit adjustments, investment income was materially misstated.

2021-003 Cash and Investment Portfolio Tracking and Reconciliation (continued)

Recommendation	We recommend the District reconcile its investment portfolio performance on a monthly basis using monthly investment activity from the investment statements. We recommend the District reconcile its cash accounts on a monthly basis and maintain supporting documentation for any manual adjustments made to the accounts as a result of the reconciliation.
Management's Response	We agree with the audit findings and have hired qualified staff to assist us in implementing the recommendations.

Grand River Hospital District
doing business as Grand River Health
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021

Auditor Detected Adjusting Journal Entries – Repeated as finding 2021-001