

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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**RECEIVED**

Office of the State Auditor

September 7, 2018

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Park Hospital District  
dba: Estes Park Medical Center  
Estes Park, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Park Hospital District dba: Estes Park Medical Center (the Medical Center), which comprise the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows, and the statements of financial position and related statements of activities of its discretely presented component unit Estes Park Medical Center Foundation, for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center's preparation and fair presentation of the financial statements 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 Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Park Hospital District  
dba: Estes Park Medical Center

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park Hospital District dba: Estes Park Medical Center and of its discretely presented component unit Estes Park Medical Center Foundation as of December 31, 2017 and 2016, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the budgeted and actual revenues and expenses on page 33 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2018, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Denver, Colorado  
April 24, 2018

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

**INTRODUCTION**

This management's discussion and analysis of Park Hospital District dba: Estes Park Medical Center (the Medical Center) provides an overview of the Medical Center's financial activities for the years ended December 31, 2017 and 2016. It should be read in conjunction with the accompanying financial statements of the Medical Center, which begin on page 9.

**USING THIS ANNUAL REPORT**

The Medical Center's financial statements consist of three statements: a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as business-type activities and present their financial statements using the economic resources measurement focus and the accrual basis of accounting.

**FINANCIAL HIGHLIGHTS**

- The Medical Center's cash and noncurrent cash and investments increased in 2017 by \$652,128, or 3%, compared to an increase of \$4,608,026, or 27%, in 2016.
- Patient and resident accounts receivable increased in 2017 by \$786,083, or 14%, compared to a decrease of \$1,361,446, or 20%, in 2016.
- Net position increased \$2,762,496 in 2017 and \$2,588,430 in 2016.
- Net operating revenues increased by \$3,628,189, or 8%, in 2017, and decreased by \$2,707,642, or 6%, in 2016.
- Operating expenses increased by \$3,639,881, or 8%, in 2017, and \$614,446, or 2%, in 2016.
- Nonoperating revenues (expenses) increased by \$449,232 in 2017 and \$393,255 in 2016.

**THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Medical Centers' resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

**THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)**

These two statements report the Medical Center's net position and changes in it. The Medical Center's total net position—the difference between assets and liabilities—is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position is an indicator of whether their financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the Medical Center.

**THE STATEMENT OF CASH FLOWS**

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

**THE MEDICAL CENTER'S NET POSITION**

The Medical Center's net position is the difference between its assets and liabilities reported in the statements of net position. The Medical Center's net position increased \$2,762,496 (7%) in 2017 and \$2,588,430 (7%) in 2016 as shown in Table 1.

**TABLE 1: ASSETS, LIABILITIES, AND NET POSITION**

	2017	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash and Cash Equivalents	\$ 10,006,606	\$ 11,723,993	\$ 9,637,216
Patient and Resident Accounts Receivable, Net	6,294,121	5,508,038	6,869,484
Other Current Assets	5,803,693	5,421,190	5,123,312
Capital Assets, Net	30,009,464	30,639,373	31,358,425
Noncurrent Cash and Investments	12,589,206	10,219,691	7,698,442
Other Noncurrent Assets	337,391	369,239	92,013
Total Assets	<u>\$ 65,040,481</u>	<u>\$ 63,881,524</u>	<u>\$ 60,778,892</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 6,665,665	\$ 7,398,516	\$ 5,620,388
Long-Term Debt	15,585,000	16,619,920	17,897,622
Total Liabilities	<u>22,250,665</u>	<u>24,018,436</u>	<u>23,518,010</u>
Deferred Inflows - Property Taxes	2,715,896	2,551,664	2,537,888
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,389,544	12,755,871	12,337,872
Restricted Expendable	1,402,013	1,399,227	1,231,957
Unrestricted	25,282,363	23,156,326	21,153,165
Total Net Position	<u>40,073,920</u>	<u>37,311,424</u>	<u>34,722,994</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 65,040,481</u>	<u>\$ 63,881,524</u>	<u>\$ 60,778,892</u>

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

**THE MEDICAL CENTER'S ASSETS AND LIABILITIES**

The most noteworthy changes in 2017 to the Medical Center's statement of net position are the increases in cash and investments and net patient and resident accounts receivable, along with decreases in capital assets, current liabilities, and long-term debt. The statement of net position shows that total cash and investments increased \$652,128 between 2016 and 2017. Continuous improved results from operations were the primary driver of the increase in current cash and investments in 2017. Net patient and resident accounts receivable increased as a result of an increase in net patient and resident revenues in fiscal year 2016. Net capital assets experienced a decrease of \$629,909 between 2016 and 2017 as a result of fixed asset additions in the current year being offset by continued depreciation on the assets that have been placed in service. Current liabilities decreased in 2017 primarily as a result of changes in third-party settlement estimates. Long-term debt decreased in 2017 as a result of the Medical Centers continuing to make principal payments on the outstanding long-term debt.

The most noteworthy changes in 2016 to the Medical Center's statement of net position are the increases in cash and cash equivalents, noncurrent cash and investments, and current liabilities, along with a decrease in patient and resident accounts receivable, capital assets, and long-term debt. The statement of net position shows that combined current and noncurrent cash and investments increased \$4,608,026 between 2015 and 2016. Continuous improved results from operations were the primary driver of the increase in combined cash and cash equivalents and noncurrent cash and investments in 2016. Current liabilities increased in 2016 as a result of an increase salary and benefit accruals due to an increase in employees in 2016 along with an increase in third-party payor settlements. Net patient and resident accounts receivable decreased as a result of improved collections. Net capital assets experienced a decrease of \$719,052 between 2015 and 2016. The decrease was a result of the Medical Center's acquisitions in 2016 being offset by depreciation expense. Long-term debt decreased in 2016 as a result of the Medical Centers continuing to make principal payments on the outstanding long-term debt.

**OPERATING RESULTS AND CHANGES IN MEDICAL CENTER'S NET POSITION**

In 2017 and 2016, the Medical Center's net position increased by \$2,762,496 and \$2,588,430, respectively. The percentage change in the Medical Center's net position was a 7% increase in 2017 and 2016. See Table 2 for the operating results and changes in net position.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

**OPERATING RESULTS AND CHANGES IN MEDICAL CENTER'S NET POSITION (CONTINUED)**

**TABLE 2: OPERATING RESULTS AND CHANGES IN NET POSITION**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenues	\$ 43,578,483	\$ 39,998,804	\$ 42,745,588
Other Operating Revenues	1,058,721	1,010,211	971,069
Total Operating Revenues	<u>44,637,204</u>	<u>41,009,015</u>	<u>43,716,657</u>
<b>OPERATING EXPENSES</b>			
Salaries and Employee Benefits	24,946,789	23,671,067	23,575,370
Purchased Services and Professional Fees	8,459,130	7,158,985	6,641,448
Supplies and Other	8,786,721	7,574,340	7,404,292
Depreciation	2,330,313	2,478,680	2,647,516
Total Operating Expenses	<u>44,522,953</u>	<u>40,883,072</u>	<u>40,268,626</u>
<b>OPERATING GAIN</b>	114,251	125,943	3,448,031
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Property Taxes	2,725,660	2,680,268	2,450,474
Investment Income	145,314	119,553	41,472
Interest Expense	(432,885)	(691,627)	(844,822)
Other Nonoperating Revenues and Expenses, Net	101,960	(17,377)	50,438
Net Nonoperating Revenues	<u>2,540,049</u>	<u>2,090,817</u>	<u>1,697,562</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	2,654,300	2,216,760	5,145,593
<b>CAPITAL GRANTS</b>	<u>108,196</u>	<u>371,670</u>	<u>125,531</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ 2,762,496</u>	<u>\$ 2,588,430</u>	<u>\$ 5,271,124</u>

**OPERATING GAIN**

The first component of the overall change in the Medical Center's net position is its operating gain, which is the difference between net patient and resident service revenue and the expenses incurred to perform those services. In 2017, the Medical Center reported an operating gain of \$114,251, which is consistent with the operating gain reporting in 2016. The Medical Center's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals, controlling expenses, and maintaining a strong financial position through investments, tax revenues, and grants and contributions.

Net patient and resident service revenue of \$43.6 million in 2017 represented an 8.2% increase over 2016. The Medical Center had an increase in outpatient procedures, which contributed to the increase in net patient and resident service revenues. Salaries and employee benefits increased in 2017 by \$1,275,722 or 5.1%. This was driven by increases in the number of physicians and employees in 2017 due to the patient volume increases noted above. Purchased services and professional fees increased in 2017 by \$1,300,145 as a result of additional programs and staffing recruiting challenges. Supplies and other expenses increased in 2017 by \$1,212,381 or 13.8%, as a result of increased patient volumes and increase in pharmacy and chemotherapy costs.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

**OPERATING GAIN (CONTINUED)**

The provision for bad debt in 2017 increased from 2016 by 12%. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was \$1,822,000 and \$1,737,000 for 2017 and 2016, respectively.

Net patient and resident service revenue of \$40 million in 2016 represented a 6.4% decrease over 2015. The Medical Center experienced a shift in payor mix and reimbursements, which contributed to the decrease in net patient and resident service revenues. Salaries and employee benefits held consistent in 2016 and only increased by \$95,697 or 0.4%. Purchased services and professional fees increased in 2016 by \$517,537, or 7.8%, as a result of costs related to contracted medical services and hiring an interim CEO and CFO. Supplies and other expense increased in 2016 by \$170,048 or 2.3%, as a result of increased drug costs in fiscal year 2016.

The provision for bad debt in 2016 increased from 2015 by 19%. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was \$1,737,000 and \$1,063,000 for 2016 and 2015, respectively.

The Medical Center has policies established regarding requesting an initial deposit or payment for elective services, predicated on the expectation that bad debts and long-term accounts receivable will decline, thereby receiving cash flow and lower allowances. Further, the Medical Center has a financial assistance policy in place with a basis from the federal poverty guidelines. Discounts are offered for prompt payment of self-pay receivables.

**NONOPERATING REVENUES AND EXPENSES**

Nonoperating revenues and expenses consist primarily of property tax revenue, investment income, and interest expense. Property tax revenues from the county increased 2% in 2017 and 9% in 2016. Revenues from investments increased by 17% for 2017 and increased 188% for 2016, due to the changing economic climate. Interest expense decreased 60% in 2017 and 18% in 2016 as a result of the refinancing transaction which lowered the interest rate on the outstanding debt along with principal payments continuing to be made on outstanding long-term debt.

**THE MEDICAL CENTERS' CASH FLOWS**

The changes in the Medical Center's cash flows are consistent with changes in operating income and losses and nonoperating revenues and expenses, as discussed earlier.

**CAPITAL ASSETS, NET**

The Medical Center's capital assets, net of accumulated depreciation, decreased from \$30,639,373 in 2016 to \$30,009,464 in 2017, as detailed in Note 5 to the financial statements. During 2017 and 2016, the Medical Center added capital assets of \$1,727,435 and \$1,759,628, respectively.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017 AND 2016**

**LONG-TERM DEBT**

At December 31, 2017 and 2016, the Medical Center had long-term debt (including current portion) of \$16,619,920 and \$17,883,502, respectively, in promissory notes and capital leases. The Medical Center did not issue any new debt during 2017. In fiscal year 2016 the Medical Center refinanced in full its limited tax revenue bonds with the issuance of two promissory notes.

**OTHER ECONOMIC FACTORS**

The Medical Center operates in rural Colorado in Larimer County. This area is a resort destination, which generally relies on tourism. As a result, the community can be impacted by national economic and environmental trends.

**CONTACTING THE MEDICAL CENTERS' FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the Medical Center's executive office by telephoning 970-577-4470.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2017 AND 2016**

<b>ASSETS</b>	2017	2016
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 10,006,606	\$ 11,723,993
Restricted Cash Under Debt Agreement	1,396,289	1,393,507
Receivables:		
Patient and Resident, Net of Estimated Uncollectibles of Approximately \$1,822,000 in 2017 and \$1,737,000 in 2016, Respectively	6,294,121	5,508,038
Property Taxes and Other	2,865,989	2,685,072
Supplies	1,043,216	1,023,456
Prepaid Expenses	498,199	319,155
Total Current Assets	22,104,420	22,653,221
<b>NONCURRENT CASH AND INVESTMENTS</b>		
Long-Term Investments	12,555,014	10,185,503
Internally Designated	28,468	28,468
Restricted by Donors	5,724	5,720
Total Noncurrent Cash and Investments	12,589,206	10,219,691
<b>CAPITAL ASSETS</b>		
Capital Assets Not Being Depreciated	662,392	714,635
Depreciable Capital Assets, Net of Accumulated Depreciation	29,347,072	29,924,738
Total Capital Assets, Net	30,009,464	30,639,373
<b>OTHER ASSETS</b>		
Physician Notes Receivable	12,391	44,239
Deposits	325,000	325,000
Total Other Assets	337,391	369,239
Total Assets	\$ 65,040,481	\$ 63,881,524

See accompanying Notes to Financial Statements.

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>2017</u>	<u>2016</u>
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 1,034,920	\$ 1,263,582
Accounts Payable	1,728,566	913,586
Estimated Third-Party Payor Settlements	928,000	2,328,000
Accrued Expenses:		
Salaries, Wages, and Related Liabilities	1,630,584	1,323,073
Compensated Absences	881,681	852,711
Interest	210,676	220,321
Other	251,238	497,243
Total Current Liabilities	<u>6,665,665</u>	<u>7,398,516</u>
 <b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	 <u>15,585,000</u>	 <u>16,619,920</u>
Total Liabilities	<u>22,250,665</u>	<u>24,018,436</u>
 <b>DEFERRED INFLOWS OF RESOURCES - PROPERTY TAXES</b>	 2,715,896	 2,551,664
 <b>NET POSITION</b>		
Net Investment in Capital Assets	13,389,544	12,755,871
Restricted, Expendable	1,402,013	1,399,227
Unrestricted	25,282,363	23,156,326
Total Net Position	<u>40,073,920</u>	<u>37,311,424</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 65,040,481</u>	 <u>\$ 63,881,524</u>

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
ESTES PARK MEDICAL CENTER FOUNDATION  
DISCRETELY PRESENTED COMPONENT UNIT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 677,270	\$ 403,531
Promises to Give, Short-Term	4,352	51,802
Other Receivables	-	12,282
Prepaid Expenses	1,270	1,272
Total Current Assets	682,892	468,887
<b>OTHER ASSETS</b>		
Investments	2,795,649	2,504,445
Charitable Remainder Unitrust Receivable	75,957	-
Net Promises to Give, Long-Term	556	108,525
Total Other Assets	2,872,162	2,612,970
Total Assets	\$ 3,555,054	\$ 3,081,857
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 901	\$ 886
Accrued Expenses	30,377	28,383
Total Current Liabilities	31,278	29,269
<b>NET ASSETS</b>		
Unrestricted	845,378	518,777
Temporarily Restricted	815,367	670,780
Permanently Restricted	1,863,031	1,863,031
Total Net Assets	3,523,776	3,052,588
Total Liabilities and Net Assets	\$ 3,555,054	\$ 3,081,857

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUE</b>		
Net Patient and Resident Service Revenue, Net of Provision for Bad Debts of approximately \$7,128,000 in 2017 and \$6,370,000 in 2016, Respectively	\$ 43,578,483	\$ 39,998,804
Other Revenue	1,058,721	1,010,211
Total Operating Revenue	<u>44,637,204</u>	<u>41,009,015</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	19,967,773	18,883,584
Employee Benefits	4,979,016	4,787,483
Professional Fees and Purchased Services	8,459,130	7,158,985
Supplies	4,986,052	4,238,859
Utilities	494,453	468,752
Leases and Rentals	244,122	185,114
Insurance	277,684	242,433
Repairs and Maintenance	220,786	175,137
Depreciation	2,330,313	2,478,680
Other	2,563,624	2,264,045
Total Operating Expenses	<u>44,522,953</u>	<u>40,883,072</u>
<b>OPERATING INCOME</b>	114,251	125,943
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Property Tax Revenues	2,725,660	2,680,268
Interest Expense	(432,885)	(691,627)
Investment Income	145,314	119,553
Loss on Disposal of Capital Assets	(27,031)	(16,850)
Noncapital Grants and Contributions	38,373	1,002
Other	90,618	(1,529)
Total Nonoperating Revenues, Net	<u>2,540,049</u>	<u>2,090,817</u>
<b>REVENUES IN EXCESS OF EXPENSES BEFORE CAPITAL CONTRIBUTIONS</b>	2,654,300	2,216,760
Capital Contributions	<u>108,196</u>	<u>371,670</u>
<b>INCREASE IN NET POSITION</b>	2,762,496	2,588,430
Net Position - Beginning of Year	<u>37,311,424</u>	<u>34,722,994</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 40,073,920</u></u>	<u><u>\$ 37,311,424</u></u>

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
ESTES PARK MEDICAL CENTER FOUNDATION  
DISCRETELY PRESENTED COMPONENT UNIT  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT</b>		
Contributions	\$ 283,198	\$ 66,279
Investment Income, Net	111,144	19,539
Net Assets Released from Restriction	381,569	246,996
Total Revenues, Gains, and Other Support	775,911	332,814
<b>EXPENSES</b>		
Grants and Contributions to Estes Park Medical Center:		
Capital Assets	152,824	55,467
Wellness Center Project	-	325,000
Salaries and Benefits	220,439	185,475
Advertising and Marketing	24,927	43,739
Office Expenses	21,726	30,737
Professional Fees	12,585	14,084
Contracted Services	9,947	45,295
Insurance	2,393	2,438
Travel and Meetings	4,469	16,431
Total Expenses	449,310	718,666
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	326,601	(385,852)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	413,883	428,751
Write Down of Pledges Receivable	(116,472)	-
Restricted Investment Income	228,745	41,140
Net Assets Released from Restriction	(381,569)	(246,996)
Increase in Temporarily Restricted Net Assets	144,587	222,895
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	-	4,100
<b>CHANGE IN NET ASSETS</b>	471,188	(158,857)
Net Assets - Beginning of Year	3,052,588	3,211,445
<b>NET ASSETS - END OF YEAR</b>	\$ 3,523,776	\$ 3,052,588

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from and on Behalf of Patients and Residents	\$ 41,392,400	\$ 42,559,758
Payments to Suppliers and Contractors	(16,658,744)	(14,831,663)
Payments for Employee Salaries and Benefits	(24,856,313)	(23,420,574)
Other Receipts and Payments	1,070,704	1,027,115
Net Cash Provided by Operating Activities	948,047	5,334,636
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property Taxes Supporting Operations	2,728,840	2,683,043
Noncapital Grants and Contributions	38,373	1,002
Net Cash Provided by Noncapital Financing Activities	2,767,213	2,684,045
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase and Construction of Capital Assets	(1,698,366)	(1,718,487)
Principal Payments on Long-Term Debt	(1,263,582)	(1,122,931)
Interest Paid on Long-Term Debt	(442,530)	(891,664)
Capital Contributions	108,196	371,670
Net Cash Used by Capital and Related Financing Activities	(3,296,282)	(3,361,412)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments, Net	(2,369,511)	(6,589,689)
Investment Income and Other	235,932	118,024
Net Cash Used by Investing Activities	(2,133,579)	(6,471,665)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,714,601)	(1,814,396)
Cash and Cash Equivalents - Beginning of Year	13,151,688	14,966,084
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 11,437,087	\$ 13,151,688

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
STATEMENTS OF CASH FLOWS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 10,006,606	\$ 11,723,993
Restricted Cash Under Debt Agreement	1,396,289	1,393,507
Internally Designated	28,468	28,468
Restricted by Donors	5,724	5,720
Total Cash and Cash Equivalents	\$ 11,437,087	\$ 13,151,688
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 114,251	\$ 125,943
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation	2,330,313	2,478,680
Provision for Bad Debts	7,127,631	6,369,730
(Increase) Decrease in Assets:		
Patient and Resident Receivables	(7,913,714)	(5,008,284)
Other Receivables	11,983	16,904
Supplies	(19,760)	(67,776)
Prepaid Expenses	(179,044)	(38,214)
Deposits	-	(325,000)
Increase (Decrease) in Liabilities:		
Accounts Payable	785,911	332,652
Estimated Third-Party Payor Settlements	(1,400,000)	1,199,508
Accrued Salaries, Compensated Absences, and Other	90,476	250,493
Net Cash Provided by Operating Activities	\$ 948,047	\$ 5,334,636
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Property and Equipment Included in Accounts Payable	\$ 69,810	\$ 40,741
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES</b>		
Issuance of Series 2016 Promissory Notes to Refinance Series 2006 Limited Tax-Revenue Bonds	\$ -	\$ 17,625,000

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization and Reporting Entities**

The financial statements of Park Hospital District dba: Estes Park Medical Center (the Medical Center) have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Medical Center are described below.

The Medical Center operates a 25-bed acute care facility (Hospital); the Estes Park Retirement Center (Retirement Center); the Prospect Park Nursing Facility (Nursing Facility), a 60-bed skilled nursing facility; and the Family Medical Center (Clinic) located in Estes Park, Colorado. The Medical Center is organized as a political subdivision of the State of Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Medical Center is governed by a board of directors consisting of five members elected by residents of Park Hospital District. The Medical Center is not a component unit of another governmental entity.

For financial reporting purposes, the Medical Center is reported separately from the Estes Park Medical Center Foundation (the Foundation). The Foundation is a 501(c)(3) organization whose sole purpose is to support the Medical Center and is reported as a discretely presented component unit of the Medical Center. Estes Park Medical Center Foundation conducts fundraising campaigns on behalf of the Medical Center. The Foundation's individual financial statements can be obtained from management of the Foundation.

**Standards of Accounting and Financial Reporting**

The accompanying financial statements have been presented in conformity with accounting principles generally accepted in the United States of America in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, health care entities, and other pronouncements applicable to health care organizations and guidance from the GASB, where applicable.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

The net position of the Medical Center is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center. Restricted net assets are reduced by any liabilities payable from restricted assets. *Unrestricted net position* is the remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For the purposes of the statement of cash flows, the Medical Center considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

**Patient and Resident Accounts Receivable, Net**

The Medical Center reports patient and resident accounts receivable for services rendered at net realizable amounts from third-party payors, patients, residents and others. The Medical Center provides an allowance for bad debts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient and residents, the Medical Center bills third-party payors directly and bills the patient or resident when the patient or resident's liability is determined. Patient and residents are not required to provide collateral for services rendered. Patient and resident accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient, resident or third-party payor. In addition, an allowance is estimated for other accounts based on historical experience of the Medical Center. At December 31, 2017 and 2016, the allowance for uncollectible accounts was approximately \$1,822,000 and \$1,737,000, respectively.

**Property Tax Receivable and Revenue**

Property tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the board of directors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the property tax receivables has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year for which it has been levied.

Lien date	-	January 1
Levy date	-	January 1, succeeding year
Due dates	-	February 28 and June 15, succeeding year

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Supplies**

Supply inventories are stated at the lower of cost, determined using the first-in, first-out basis, or market.

**Deposits**

Deposits include assets set aside under a lease agreement for land to build a wellness center on.

**Noncurrent Cash and Investments**

Noncurrent cash and investments includes long-term investments, internally designated investments which are set asides by the board of directors for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes, and cash and investments restricted by donors. Investments are measured at fair value.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

**Capital Assets, Net**

Capital asset acquisitions in excess of \$5,000 are capitalized at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

	<u>Years</u>
Land Improvements	8 to 40
Buildings and Leasehold Improvements	5 to 40
Equipment	2 to 25

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of expenses before capital contributions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

**Compensated Absences**

The Medical Center's policies permit most employees to accumulate paid time-off benefits. Expense and the related liability are recognized as benefits when earned. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimated Health Claims Payable**

The Medical Center provides for self-funded insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in salaries, wages, and related liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

**Deferred Inflows of Resources**

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unavailable property taxes. The property taxes will be recognized as revenue in the year for which the taxes have been levied and become available.

**Net Patient and Resident Service Revenue**

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

**Charity Care**

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient and resident service revenue. Charges excluded from revenue under the Medical Center's charity care policy were approximately \$172,000 and \$382,000 for 2017 and 2016, respectively.

**Grants and Contributions**

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

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operating Revenues and Expenses**

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

**Income Taxes**

The Medical Center is organized as a political subdivision of the state of Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision for state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

**Advertising Costs**

The Medical Center expenses advertising costs as incurred.

**Fair Value Measurements**

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

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

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

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

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

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

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

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

**NOTE 2 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

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

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

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE**

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

**Hospital and Clinic**

**Medicare**

The Medical Center has elected the Critical Access Hospital (CAH) designation. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2015. Clinical services are paid on a cost basis or fixed fee schedule.

**Medicaid**

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicaid beneficiaries are paid based on a cost-reimbursement methodology. The Medical Center is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Medical Center's Medicaid cost reports have settled through the year ended December 31, 2014.

In 2012, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee. The inpatient fee is based on a rate for managed care and nonmanaged care days for the reporting period and the outpatient fee is based on a percentage of total outpatient charges. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal funds into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. Beginning with the state fiscal year ended June 30, 2011, funding received in excess of costs to provide these services to Medicaid and uninsured patients may be refunded. As of December 31, 2017 and 2016, the Medical Center has recorded a reserve of approximately \$594,000 and \$628,000, respectively, for the estimated portion of funding received in excess of costs. It is reasonably possible that this estimate could materially change in the near term.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)**

**Other**

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

**Uninsured**

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

**Nursing Facility**

**Medicare**

Inpatient services at the Nursing Facility are paid based on prospectively determined per diem rates. Under a prospective pay system, payments to the Nursing Facility are based on a predetermined package rate based on services provided to patients.

**Medicaid**

The Nursing Facility is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Nursing Facility and audits thereof by the Medicaid fiscal intermediary.

Concentrations of gross revenue by major payor accounted for the following percentages of the Medical Center's patient and resident revenues for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Medicare	54 %	49 %
Medicaid	16	14
Blue Cross Blue Shield	8	11
Other Third Party	18	21
Self Pay	4	5
Total	<u>100 %</u>	<u>100 %</u>

Laws and regulations governing the Medicare, Medicaid and other 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 and resident service revenue increased approximately \$195,000 and \$633,000 for the years ended December 31, 2017 and 2016, respectively, due to change in the allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, review, and investigations.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)**

The following is a reconciliation of gross patient and resident service revenue to net patient and resident service revenue for the years ending December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gross Patient and Resident Service Revenue	\$ 83,655,077	\$ 75,030,516
Less Charity Care	(171,575)	(381,923)
Total Patient and Resident Service Revenue	<u>83,483,502</u>	<u>74,648,593</u>
Contractual Adjustments		
Medicare	(22,758,056)	(19,428,690)
Medicaid	(6,295,859)	(5,706,746)
Blue Cross Blue Shield	(870,076)	(718,844)
Other	(2,853,397)	(2,425,779)
Provision for Bad Debts	(7,127,631)	(6,369,730)
Total Contractual Adjustments and Provision for Bad Debts	<u>(39,905,019)</u>	<u>(34,649,789)</u>
Net Patient and Resident Service Revenue	<u>\$ 43,578,483</u>	<u>\$ 39,998,804</u>

**NOTE 4 PATIENT AND RESIDENT ACCOUNTS RECEIVABLE, NET**

The Medical Center grants credit without collateral to their patients and residents, most of who are area residents and are insured under third-party payor agreements. Concentrations of patient and resident accounts receivable at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Medicare	44 %	38 %
Medicaid	16	11
Blue Cross Blue Shield	3	7
Other Third Party	18	21
Self Pay	19	23
Total	<u>100 %</u>	<u>100 %</u>

**NOTE 5 DEPOSITS AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

**PARK HOSPITAL DISTRICT  
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**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits (Continued)**

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

**Investments**

The Medical Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in-bank repurchase agreements. It may also invest to a limited extent in corporate bonds.

At December 31, 2017 and 2016, the Medical Center had the following investments and maturities:

Type	Fair Value	Rating	December 31, 2017			
			Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 8,098,618	NA	\$ 7,352,720	\$ 745,898	\$ -	\$ -
Government Securities	1,403,250	AA+	1,403,250	-	-	-
Corporate Bonds	3,053,146	A+ - AA+	2,802,140	251,006	-	-
Total Investments	<u>\$ 12,555,014</u>		<u>\$ 11,558,110</u>	<u>\$ 996,904</u>	<u>\$ -</u>	<u>\$ -</u>

  

Type	Fair Value	Rating	December 31, 2016			
			Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 6,698,999	NA	\$ 6,310,183	\$ 388,816	\$ -	\$ -
Corporate Bonds	3,486,504	AA - BBB-	3,432,970	53,534	-	-
Total Investments	<u>\$ 10,185,503</u>		<u>\$ 9,743,153</u>	<u>\$ 442,350</u>	<u>\$ -</u>	<u>\$ -</u>

**Fair Value Measurements**

The Medical Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Medical Center measures fair value refer to Note 1 – Nature of Operations and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Medical Center measured at fair value on a recurring basis as of December 31, 2017 and 2016:

Investment Type	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Government Securities	\$ 1,403,250	\$ -	\$ -	\$ 1,403,250
Corporate Bonds	-	3,053,146	-	3,053,146
Total	<u>\$ 1,403,250</u>	<u>\$ 3,053,146</u>	<u>\$ -</u>	<u>\$ 4,456,396</u>

  

Investment Type	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Corporate Bonds	\$ -	\$ 3,486,504	\$ -	\$ 3,486,504

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Medical Center's investment policy does not contain a provision that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State Statutes limits the investments in bonds, debentures or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations at the time of purchase. As of December 31, 2017 and 2016, the Medical Center believes it was compliant with State Statutes with regard to credit risk. The Medical Center has no investment policy that would further limit its investment options.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Medical Center's investments in repurchase agreements at December 31, 2017 and 2016 are held by the counterparties in other than the Medical Center's name. The Medical Center's investment policy does not address how the securities' underlying repurchase agreements are to be held.

**Summary of Carrying Values**

The carrying values of deposits and investments shown are included in the statements of net position as follows:

	2017	2016
Carrying Value:		
Deposits	\$ 11,437,087	\$ 13,151,688
Investments	12,555,014	10,185,503
Total Deposits and Investments	\$ 23,992,101	\$ 23,337,191
	2017	2016
Included in the Following Net Position Captions:		
Cash and Cash Equivalents	\$ 10,006,606	\$ 11,723,993
Restricted Cash Under Debt Agreement	1,396,289	1,393,507
Noncurrent Cash and Investments:		
Long-Term Investments	12,555,014	10,185,503
Internally Designated	28,468	28,468
Restricted by Donors	5,724	5,720
Total Deposits and Investments	\$ 23,992,101	\$ 23,337,191

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Income**

Investment income consisted of the following for the years ending December 31, 2017 and 2016:

	2017	2016
Interest Income	\$ 170,744	\$ 126,373
Unrealized Losses	(25,430)	(6,820)
Total	<u>\$ 145,314</u>	<u>\$ 119,553</u>

**NOTE 6 CAPITAL ASSETS, NET**

Capital asset activity for the year ended December 31, 2017 was as follows:

	2017				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 513,973	\$ -	\$ -	\$ -	\$ 513,973
Land Improvements	911,340	-	(22,581)	-	888,759
Buildings and Leasehold Improvements	39,281,840	122,212	(143,263)	788,844	40,049,633
Equipment	10,709,639	682,023	(1,589,367)	186,600	9,988,895
Construction in Progress	201,062	923,200	-	(975,444)	148,818
Total	<u>51,617,854</u>	<u>1,727,435</u>	<u>(1,755,211)</u>	<u>-</u>	<u>51,590,078</u>
Less: Accumulated Depreciation:					
Land Improvements	607,743	43,262	(21,890)	-	629,115
Buildings and Leasehold Improvements	13,055,693	1,174,641	(134,777)	-	14,095,557
Equipment	7,315,045	1,112,410	(1,571,513)	-	6,855,942
	<u>20,978,481</u>	<u>2,330,313</u>	<u>(1,728,180)</u>	<u>-</u>	<u>21,580,614</u>
Capital Assets, Net	<u>\$ 30,639,373</u>	<u>\$ (602,878)</u>	<u>\$ (27,031)</u>	<u>\$ -</u>	<u>\$ 30,009,464</u>

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 6 CAPITAL ASSETS, NET (CONTINUED)**

Capital asset activity for the year ended December 31, 2016 was as follows:

	2016				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 513,973	\$ -	\$ -	\$ -	\$ 513,973
Land Improvements	918,187	-	(6,847)	-	911,340
Buildings and Leasehold Improvements	39,095,096	52,878	(69,546)	203,412	39,281,840
Equipment	10,780,635	1,072,317	(1,428,576)	285,263	10,709,639
Construction in Progress	55,304	634,433	-	(488,675)	201,062
Total	<u>51,363,195</u>	<u>1,759,628</u>	<u>(1,504,969)</u>	<u>-</u>	<u>51,617,854</u>
Less: Accumulated Depreciation:					
Land Improvements	561,727	52,863	(6,847)	-	607,743
Buildings and Leasehold Improvements	11,976,758	1,148,481	(69,546)	-	13,055,693
Equipment	7,466,285	1,277,336	(1,428,576)	-	7,315,045
	<u>20,004,770</u>	<u>2,478,680</u>	<u>(1,504,969)</u>	<u>-</u>	<u>20,978,481</u>
Capital Assets, Net	<u>\$ 31,358,425</u>	<u>\$ (719,052)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,639,373</u>

Construction in progress at December 31, 2017 consists of costs related to remodeling a house owned by the Medical Center and remodeling the pharmacy. These project were funded through operations and completed in the spring of 2018 at a total approximate cost of \$210,000.

**NOTE 7 LINE OF CREDIT**

The Medical Center has entered into a line of credit agreement with a financial institution that provides for the available borrowings of \$3,000,000. The agreement matures on July 30<sup>th</sup> and currently is renewed through July 30, 2018. Borrowings under the line of credit bear interest at the Prime Rate as published by the Wall Street Journal. The minimum interest rate is 3.5% and the line of credit is secured by all accounts the Medical Center holds with the financial institution, to the extent permitted by applicable law. There was no amount outstanding as of December 31, 2017 and 2016.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 8 LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the Medical Center for the years ended December 31, 2017 and 2016:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	\$ 17,625,000	\$ -	\$ (1,020,000)	\$ 16,605,000	\$ 1,020,000
Capital Lease Obligations	258,502	-	(243,582)	14,920	14,920
Total Long-Term Debt	<u>\$ 17,883,502</u>	<u>\$ -</u>	<u>\$ (1,263,582)</u>	<u>\$ 16,619,920</u>	<u>\$ 1,034,920</u>
	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	\$ -	\$ 17,625,000	\$ -	\$ 17,625,000	\$ 1,020,000
Limited Tax-Revenue Bonds	18,445,000	-	(18,445,000)	-	-
Bond Premium	14,120	-	(14,120)	-	-
Capital Lease Obligations	561,433	-	(302,931)	258,502	243,582
Total Long-Term Debt	<u>\$ 19,020,553</u>	<u>\$ 17,625,000</u>	<u>\$ (18,762,051)</u>	<u>\$ 17,883,502</u>	<u>\$ 1,263,582</u>

During 2016, the Medical Center refinanced its Limited Tax-Revenue Bonds Series 2006 (the Bonds) with Promissory Notes, Series 2016 (the Notes). The Medical Center used the proceeds from the Notes of \$17,625,000 and deposits restricted under the 2006 bond indenture to complete the refinancing. The Notes bear interest of 1.85% and 2.90% with the interest being payable semiannually on each January 1 and July 1 and principal being due in varying annual installments through December 31, 2031. The Notes are secured by the Medical Center's pledged revenues.

The Medical Center's Limited Tax-Revenue Bonds Series 2006 bore interest rates of 4.0% and 4.625%. Interest was payable semiannually on each January 1 and July 1 and principal was due in varying annual installments through January 2031. The Bonds were secured by the Medical Center's pledged revenues.

**Refinancing Transaction**

As part of the issuance of the Series 2016 Promissory Notes in fiscal year 2016 to refinance the outstanding Series 2006 Limited Tax-Revenue Bonds there was no gain (loss) recorded on the refinancing of the long-term debt.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 8 LONG-TERM DEBT (CONTINUED)**

**Restrictive Covenants**

Under the terms of the Promissory Notes, Series 2016 agreement, the Medical Center is required to maintain certain deposits with the lender. Such deposits are included in restricted cash under debt agreement on the statements of net position. The Promissory Notes agreement also requires that the Medical Center satisfy certain measures of financial performance including maintaining a debt-service coverage ratio of at least 1.25, have 90 days of cash on hand, and places restrictions on incurrence of additional debt. Management believes the Medical Center is in compliance with restrictive covenants at December 31, 2017.

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

<u>Year Ending December 31,</u>	<u>Promissory Notes, Series 2016</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,020,000	\$ 408,430	\$ 14,920	\$ 38
2019	1,040,000	389,112	-	-
2020	1,060,000	370,403	-	-
2021	1,085,000	349,304	-	-
2022	1,105,000	328,767	-	-
2023 - 2027	5,900,000	1,228,920	-	-
2028-2031	5,395,000	324,339	-	-
Total	<u>\$ 16,605,000</u>	<u>\$ 3,399,275</u>	<u>\$ 14,920</u>	<u>\$ 38</u>

**Capital Lease Obligations**

The Medical Center is obligated under lease agreements for equipment that are accounted for as a capital lease obligations. The total cost of the assets under capital leases at December 31, 2017 and 2016 was \$831,702 and \$898,387, respectively, net of accumulated depreciation of \$803,979 and \$700,898, respectively. The capital lease obligations require varying monthly payments at an interest rate of 3% through January 2018 and are secured by the leased equipment.

**NOTE 9 PENSION PLAN**

The Medical Center has a money purchase pension plan (the Plan) covering all employees of the Medical Center immediately upon hire. The Plan was established by and can be amended by the authority of the Medical Center's board of trustees. Employee contributions to the Plan vest immediately. Employer contributions to the plan are currently set at 6.25% of eligible employee compensation. The employer contributions vest based on the following schedule: 25% based on less than a year of employment, 50% at one year of employment, 75% at two years of employment, and 100% at three or more years of employment. Distributions can be made by the participant from their vested account balance upon the participant reaching the age of 62 or terminating employment with the Medical Center. Total pension expense for the years ended December 31, 2017, 2016, and 2015 was \$1,259,799, \$1,224,197, and \$1,151,761, respectively.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Risk Management**

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

**Litigation**

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

**Malpractice Claims**

The Medical Center pays fixed premiums for annual medical malpractice insurance coverage under a claims-made policy. The medical malpractice insurance coverage is subject to a \$1 million per claim limit and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The Medical Center is not aware of any unasserted claims, unreported incidents or claims outstanding, which are expected to exceed malpractice insurance coverage limits as of December 31, 2017. Further, the Medical Center is subject to the provisions of the Colorado Government Immunity Act, which provides a limitation on the liability of the Medical Center. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Employee Health Insurance**

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is partially self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$75,000 per claim. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Employee Health Insurance (Continued)**

Activity in the Medical Center's accrued employee health claims liability during 2017 and 2016 is summarized as follows:

	2017	2016
Balance - Beginning of Year	\$ 467,000	\$ 435,000
Current Year Claims Incurred and Changes in Estimate for Claims Incurred in Prior Years	3,581,477	3,535,836
Claims and Expenses Paid	<u>(3,573,477)</u>	<u>(3,503,836)</u>
Balance - End of Year	<u>\$ 475,000</u>	<u>\$ 467,000</u>

**Compliance**

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

**Other**

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

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

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

**PARK HOSPITAL DISTRICT  
DBA: ESTES PARK MEDICAL CENTER  
BUDGETED AND ACTUAL REVENUES AND EXPENSES  
YEAR ENDED DECEMBER 31, 2017  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Actual	Budgeted	Favorable (Unfavorable) Variance
<b>OPERATING REVENUES</b>			
Net Patient and Resident Service Revenue	\$ 43,578,483	\$ 42,663,593	\$ 914,890
Other Revenue	1,058,721	864,869	193,852
Total Operating Revenues	44,637,204	43,528,462	1,108,742
<b>OPERATING EXPENSES</b>			
Salaries, Wages, and Employee Benefits	24,946,789	25,141,812	195,023
Other	19,576,164	17,582,138	(1,994,026)
Total Operating Expenses	44,522,953	42,723,950	(1,799,003)
<b>OPERATING INCOME</b>	114,251	804,512	(690,261)
<b>NONOPERATING REVENUES (EXPENSES)</b>	2,540,049	2,136,127	403,922
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 2,654,300	\$ 2,940,639	\$ (286,339)

**NOTE TO SCHEDULE**

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

Appropriations are adopted by resolution in total.

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

Board of Directors  
Park Hospital District  
dba: Estes Park Medical Center  
Estes Park, 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 Park Hospital District dba: Estes Park Medical Center (the Medical Center), which comprise the statement of net position as of December 31, 2017, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Park Hospital District  
dba: Estes Park Medical Center

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.



**CliftonLarsonAllen LLP**

Denver, Colorado  
April 24, 2018