

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2019 AND 2018

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Park Hospital District
dba: Estes Park Health
Estes Park, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Park Hospital District dba: Estes Park Health (the District), which comprise the statements of net position as of December 31, 2019 and 2018, 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 Health 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District'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 District'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.

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 Health and of its discretely presented component unit Estes Park Health Foundation as of December 31, 2019 and 2018, 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.

Report on 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 7 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 27, 2020, 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. 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 District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado
April 27, 2020

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

INTRODUCTION

This management's discussion and analysis of Park Hospital District dba: Estes Park Health (the District) provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the District, which begin on page 8.

USING THIS ANNUAL REPORT

The District'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 District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as business-type activities and present their financial statements using the economic resources measurement focus and the accrual basis of accounting. The Foundation's financial statements consist of a statement of financial position and a statement of activities. The Foundation information is not included in management's discussion and analysis.

FINANCIAL HIGHLIGHTS

- The District's cash and noncurrent cash and investments decreased in 2019 by \$1,460,517, or 7%, compared to a decrease of \$417,587, or 2%, in 2018.
- Net position decreased \$248,038 in 2019 compared to an increase of \$2,548,749 in 2018.
- Net operating revenues decreased by \$247,990, or 0.5%, in 2019, compared to an increase of \$4,675,537, or 10%, in 2018.
- Operating expenses increased by \$2,550,070, or 5%, in 2019, and \$5,221,287, or 12%, in 2018.
- Nonoperating revenues (expenses) decreased by \$9,240 in 2019 compared to an increase of \$348,617 in 2018.

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 District's 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.

These two statements report the District's net position and changes in it. The District's total net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether their financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District'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 District.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

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 DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position decreased \$248,038 (1%) in 2019 and increased \$2,548,749 (6%) in 2018 as shown in Table 1.

TABLE 1: ASSETS, LIABILITIES, AND NET POSITION

	2019	2018	2017
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	\$ 18,703,367	\$ 13,272,797	\$ 10,006,606
Patient and Resident Accounts Receivable, Net	6,455,682	6,470,014	6,294,121
Other Current Assets	6,478,394	5,799,168	5,803,693
Capital Assets, Net	31,746,460	29,628,676	30,009,464
Long-Term Investments	2,014,341	8,905,428	12,589,206
Other Noncurrent Assets	285,184	325,000	337,391
Total Assets	<u>\$ 65,683,428</u>	<u>\$ 64,401,083</u>	<u>\$ 65,040,481</u>
LIABILITIES			
Current Liabilities	\$ 5,948,560	\$ 4,507,317	\$ 6,665,665
Long-Term Liabilities	14,240,513	14,545,000	15,585,000
Total Liabilities	<u>20,189,073</u>	<u>19,052,317</u>	<u>22,250,665</u>
Deferred Inflows - Property Taxes	3,119,724	2,726,097	2,715,896
NET POSITION			
Net Investment in Capital Assets	18,261,460	15,083,676	13,389,544
Restricted Expendable	1,412,536	1,403,206	1,402,013
Unrestricted	<u>22,700,635</u>	<u>26,135,787</u>	<u>25,282,363</u>
Total Net Position	<u>42,374,631</u>	<u>42,622,669</u>	<u>40,073,920</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 65,683,428</u>	<u>\$ 64,401,083</u>	<u>\$ 65,040,481</u>

THE DISTRICT'S ASSETS AND LIABILITIES

The most noteworthy changes in 2019 to the District's statement of net position are the increases in capital assets and current liabilities, along with decreases in total cash and investments. The statement of net position shows that total cash and investments decreased \$1,460,517 between 2018 and 2019. A decline in the operating loss was the primary driver of the decrease in current cash and investments in 2019 along with an increase in capital expenditures. Net capital assets experienced an increase of \$2,117,784 between 2018 and 2019 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 increased in 2019 primarily as a result of timing of payments being made.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

THE DISTRICT'S ASSETS AND LIABILITIES (CONTINUED)

The most noteworthy changes in 2018 to the District's statement of net position are the increases in net patient and resident accounts receivable, along with decreases in total cash and investments, capital assets, current liabilities, and long-term debt. The statement of net position shows that total cash and investments decreased \$417,587 between 2017 and 2018. A decline in operating income (loss) was the primary driver of the decrease in current cash and investments in 2018. Net patient and resident accounts receivable increased as a result of an increase in net patient and resident revenues in fiscal year 2018. Net capital assets experienced a decrease of \$380,788 between 2017 and 2018 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 2018 primarily as a result of timing of payments being made. Long-term debt decreased in 2018 as a result of the Districts continuing to make principal payments on the outstanding long-term debt. The District made both the 2018 and the 2019 principal payments on the long-term debt during fiscal year 2018.

OPERATING RESULTS AND CHANGES IN DISTRICT'S NET POSITION

In 2019 the District's net position decreased by \$248,038 while in 2018 it increased by \$2,548,749. See Table 2 for the operating results and changes in net position.

TABLE 2: OPERATING RESULTS AND CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES			
Net Patient and Resident Service Revenues	\$ 48,337,074	\$ 48,444,063	\$ 43,578,483
Other Operating Revenues	727,677	868,678	1,058,721
Total Operating Revenues	<u>49,064,751</u>	<u>49,312,741</u>	<u>44,637,204</u>
OPERATING EXPENSES			
Salaries and Employee Benefits	28,516,716	26,722,743	24,946,789
Purchased Services and Professional Fees	11,797,929	10,902,501	8,459,130
Supplies and Other	9,898,447	10,050,079	8,786,721
Depreciation	2,081,218	2,068,917	2,330,313
Total Operating Expenses	<u>52,294,310</u>	<u>49,744,240</u>	<u>44,522,953</u>
OPERATING GAIN (LOSS)	(3,229,559)	(431,499)	114,251
NONOPERATING REVENUES AND EXPENSES			
Property Taxes	2,896,027	2,890,593	2,725,660
Investment Income	334,928	256,522	145,314
Interest Expense	(395,453)	(409,376)	(432,885)
Other Nonoperating Revenues and Expenses, Net	43,924	150,927	101,960
Net Nonoperating Revenues	<u>2,879,426</u>	<u>2,888,666</u>	<u>2,540,049</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(350,133)	2,457,167	2,654,300
CAPITAL GRANTS	102,095	91,582	108,196
INCREASE (DECREASE) IN NET POSITION	<u>\$ (248,038)</u>	<u>\$ 2,548,749</u>	<u>\$ 2,762,496</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

OPERATING GAIN (LOSS)

The first component of the overall change in the District's net position is its operating gain (loss), which is the difference between net patient and resident service revenue and the expenses incurred to perform those services. In 2019, the District reported an operating loss of \$3,229,559, which is an increase from the operating loss reporting in 2018. The District'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 \$48.3 million in 2019 which is consistent with 2018 net patient and resident service revenue. Salaries and employee benefits increased in 2019 by \$1,793,973 or 6.3%. This was driven by salary increases and staff and physician turnover. Purchased services and professional fees increased in 2019 by \$895,428 as a result of additional programs, physician contract labor needs, and recruiting challenges.

The provision for bad debt in 2019 increased from 2018 by 58%. The increase in the provision for bad debt was primarily driven by a decrease in charity care provided in 2019 and a receivables cleanup effort in anticipation of the conversion to the Epic electronic medical record system. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was \$1,784,000 and \$1,474,000 for 2019 and 2018, respectively.

Net patient and resident service revenue of \$48.4 million in 2018 represented a 10% increase over 2017. The District had an increase in outpatient procedures, which contributed to the increase in net patient and resident service revenues. Salaries and employee benefits increased in 2018 by \$1,775,954 or 6.6%. This was driven by salary increases and turnover in physician staffing. Purchased services and professional fees increased in 2018 by \$2,443,371 as a result of additional programs and staffing recruiting challenges. Supplies and other expenses increased in 2018 by \$1,263,358 or 12.6%, as a result of increased patient volumes and an increase in pain management, wound care, and chemotherapy costs.

The provision for bad debt in 2018 decreased from 2017 by 60%. The decrease in the provision for bad debt was primarily driven by an increase in charity care provided in 2018. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was \$1,474,000 and \$1,474,000 for 2018 and 2017, respectively.

The District has policies established regarding the request of 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 District 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 0.2% in 2019 and 6% in 2018. Revenues from investments increased by 23% for 2019 and 77% for 2018, due to the changing economic climate. Interest expense decreased 4% in 2019 and 6% in 2018 as a result of principal payments continuing to be made on outstanding long-term debt.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018**

THE DISTRICT'S CASH FLOWS

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

CAPITAL ASSETS, NET

The District's capital assets, net of accumulated depreciation, increased from \$29,628,676 in 2018 to \$31,746,460 in 2019, as detailed in Note 6 to the financial statements. During 2019 and 2018, the District added capital assets of \$4,199,002 and \$1,707,108, respectively. Of the 2019 capital asset additions, \$2,857,882 was related to the new electronic health record and accounting system implementation. This project was capitalized in the last part of fiscal year 2019.

LONG-TERM DEBT

At December 31, 2019 and 2018, the District had long-term debt (including current portion) of \$13,485,000 and \$14,545,000, respectively. The District did not issue any new debt during 2019. During 2018, the District did pay its capital lease obligation in full.

OTHER ECONOMIC FACTORS

The District 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 DISTRICT'S FINANCIAL MANAGEMENT

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

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 18,703,367	\$ 13,272,797
Restricted Cash Under Debt Agreement	1,412,536	1,403,206
Receivables:		
Patient and Resident, Net of Estimated Uncollectibles of Approximately \$1,784,000 in 2019 and \$1,474,000 in 2018, Respectively	6,455,682	6,470,014
Property Taxes and Other	3,288,957	2,870,617
Supplies	1,096,406	1,111,852
Prepaid Expenses	680,495	413,493
Total Current Assets	<u>31,637,443</u>	<u>25,541,979</u>
 LONG-TERM INVESTMENTS	 2,014,341	 8,905,428
 CAPITAL ASSETS		
Capital Assets Not Being Depreciated	1,331,948	1,174,761
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>30,414,512</u>	<u>28,453,915</u>
Total Capital Assets, Net	31,746,460	29,628,676
 LONG-TERM PREPAID LEASE	 <u>285,184</u>	 <u>325,000</u>
 Total Assets	 <u><u>\$ 65,683,428</u></u>	 <u><u>\$ 64,401,083</u></u>

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2019	2018
CURRENT LIABILITIES		
Accounts Payable	\$ 2,250,218	\$ 1,215,050
Estimated Third-Party Payor Settlements	829,000	869,000
Accrued Expenses:		
Salaries, Wages, and Related Liabilities	1,683,574	1,351,015
Compensated Absences	1,102,158	991,689
Other	83,610	80,563
Total Current Liabilities	5,948,560	4,507,317
LONG-TERM LIABILITIES		
Long-Term Debt	13,485,000	14,545,000
Long-Term Portion of Accounts Payable	755,513	-
Total Long-Term Liabilities	14,240,513	14,545,000
 Total Liabilities	 20,189,073	 19,052,317
 DEFERRED INFLOWS OF RESOURCES - PROPERTY TAXES	 3,119,724	 2,726,097
NET POSITION		
Net Investment in Capital Assets	18,261,460	15,083,676
Restricted, Expendable	1,412,536	1,403,206
Unrestricted	22,700,635	26,135,787
Total Net Position	42,374,631	42,622,669
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 65,683,428	 \$ 64,401,083

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
ESTES PARK HEALTH FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 528,911	\$ 540,260
Promises to Give, Short-Term	8,002	100
Other Receivables	5,230	8,612
Prepaid Expenses	1,236	1,293
Total Current Assets	543,379	550,265
OTHER ASSETS		
Investments	3,385,094	2,610,067
Charitable Remainder Unitrust Receivable	81,131	70,396
Net Promises to Give, Long-Term	9,727	5,325
Total Other Assets	3,475,952	2,685,788
 Total Assets	 \$ 4,019,331	 \$ 3,236,053
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 68	\$ 298
Accrued Expenses	23,077	46,203
Total Current Liabilities	23,145	46,501
NET ASSETS		
Net Assets without Donor Restrictions	1,041,584	631,415
Net Assets with Donor Restrictions	2,954,602	2,558,137
Total Net Assets	3,996,186	3,189,552
 Total Liabilities and Net Assets	 \$ 4,019,331	 \$ 3,236,053

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
OPERATING REVENUE		
Net Patient and Resident Service Revenue, Net of Provision for Bad Debts of Approximately \$1,130,000 in 2019 and \$715,000 in 2018, Respectively	\$ 48,337,074	\$ 48,444,063
Other Revenue	727,677	868,678
Total Operating Revenue	49,064,751	49,312,741
OPERATING EXPENSES		
Salaries and Wages	22,868,648	20,941,930
Employee Benefits	5,648,068	5,780,813
Professional Fees and Purchased Services	11,797,929	10,902,501
Supplies	5,964,403	5,715,814
Utilities	583,846	550,420
Leases and Rentals	401,423	318,845
Insurance	305,411	292,015
Repairs and Maintenance	150,314	252,549
Depreciation	2,081,218	2,068,917
Other	2,493,050	2,920,436
Total Operating Expenses	52,294,310	49,744,240
OPERATING LOSS	(3,229,559)	(431,499)
NONOPERATING REVENUES (EXPENSES)		
Property Tax Revenues	2,896,027	2,890,593
Interest Expense	(395,453)	(409,376)
Investment Income	334,928	256,522
Gain (Loss) on Disposal of Capital Assets	8,500	(9,979)
Noncapital Grants and Contributions	23,021	165,241
Other	12,403	(4,335)
Total Nonoperating Revenues, Net	2,879,426	2,888,666
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE CAPITAL CONTRIBUTIONS	(350,133)	2,457,167
Capital Contributions	102,095	91,582
INCREASE (DECREASE) IN NET POSITION	(248,038)	2,548,749
Net Position - Beginning of Year	42,622,669	40,073,920
NET POSITION - END OF YEAR	\$ 42,374,631	\$ 42,622,669

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
ESTES PARK HEALTH FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT WITHOUT RESTRICTIONS		
Contributions	\$ 134,371	\$ 200,008
Investment Income (Loss), Net	263,595	(44,427)
Net Assets Released from Restriction	420,800	199,414
Total Revenues, Gains, and Other Support without Restrictions	818,766	354,995
EXPENSES		
Grants and Contributions to Estes Park Medical Center:		
Capital Assets	61,240	273,180
Salaries and Benefits	260,212	222,763
Advertising and Marketing	32,876	14,609
Office Expenses	10,146	17,168
Professional Fees	28,306	17,886
Contracted Services	5,072	18,148
Insurance	2,511	2,437
Travel and Meetings	8,234	2,767
Total Expenses	408,597	568,958
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	410,169	(213,963)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	457,704	158,481
Restricted Investment Income (Loss)	359,561	(79,328)
Net Assets Released from Restriction	(420,800)	(199,414)
Increase (Decrease) in Net Assets with Donor Restrictions	396,465	(120,261)
CHANGE IN NET ASSETS	806,634	(334,224)
Net Assets - Beginning of Year	3,189,552	3,523,776
NET ASSETS - END OF YEAR	\$ 3,996,186	\$ 3,189,552

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients and Residents	\$ 48,311,406	\$ 48,209,170
Payments to Suppliers and Contractors	(21,375,786)	(21,380,216)
Payments for Employee Salaries and Benefits	(28,070,641)	(27,062,979)
Other Receipts and Payments	712,187	882,099
Net Cash Provided (Used) by Operating Activities	(422,834)	648,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes Supporting Operations	2,886,804	2,895,136
Noncapital Grants and Contributions	23,021	165,241
Net Cash Provided by Noncapital Financing Activities	2,909,825	3,060,377
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and Construction of Capital Assets	(2,940,651)	(1,776,918)
Proceeds from Disposal of Capital Assets	8,500	9,000
Principal Payments on Long-Term Debt	(1,060,000)	(2,074,920)
Interest Paid on Long-Term Debt	(395,453)	(620,052)
Capital Contributions	102,095	91,582
Net Cash Used by Capital and Related Financing Activities	(4,285,509)	(4,371,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	6,891,087	3,649,586
Investment Income and Other	347,331	252,187
Net Cash Provided by Investing Activities	7,238,418	3,901,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,439,900	3,238,916
Cash and Cash Equivalents - Beginning of Year	14,676,003	11,437,087
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 20,115,903	\$ 14,676,003

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ 18,703,367	\$ 13,272,797
Restricted Cash Under Debt Agreement	1,412,536	1,403,206
Total Cash and Cash Equivalents	\$ 20,115,903	\$ 14,676,003
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (3,229,559)	\$ (431,499)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	2,081,218	2,068,917
Provision for Bad Debts	1,130,251	714,907
(Increase) Decrease in Assets:		
Patient and Resident Receivables	(1,115,919)	(890,800)
Other Receivables	(15,490)	13,421
Supplies	15,446	(68,636)
Prepaid Expenses	(267,002)	84,706
Long-Term Prepaid Lease	39,816	-
Increase (Decrease) in Liabilities:		
Accounts Payable	532,330	(443,706)
Estimated Third-Party Payor Settlements	(40,000)	(59,000)
Accrued Salaries, Compensated Absences, and Other	446,075	(340,236)
Net Cash Provided (Used) by Operating Activities	\$ (422,834)	\$ 648,074
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Capital Assets Included in Accounts Payable	\$ 1,258,351	\$ -

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 Health (the District) 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 District are described below.

The District operates a 23-bed acute care facility (the Hospital); the Prospect Park Nursing Facility (the Nursing Facility), a 52-bed skilled nursing facility; and the Physician Clinic (the Clinic) located in Estes Park, Colorado. The District is organized as a political subdivision of the state of Colorado and has been recognized by the IRS as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a). The District is governed by a board of directors consisting of five members elected by residents of Park Hospital District. The District is not a component unit of another governmental entity.

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

During fiscal year 2018 the Park Hospital District updated its trade name which it does business under from Estes Park Medical Center to Estes Park Health. The financial statements have been updated for this change.

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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Net Position

The net position of the District is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *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 District. 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 District 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 District reports patient and resident accounts receivable for services rendered at net realizable amounts from third-party payors, patients, residents and others. The District 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 District 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 District. At December 31, 2019 and 2018, the allowance for uncollectible accounts was approximately \$1,784,000 and \$1,474,000, 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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 net realizable value.

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 District:

	<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 excess (deficit) of revenue over 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 District'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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Estimated Health Claims Payable

The District 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 District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient and resident service revenue. Charges excluded from revenue under the District's charity care policy were approximately \$813,000 and \$1,114,000 for 2019 and 2018, respectively.

Grants and Contributions

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

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Operating Revenues and Expenses

The District'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 District's principal activity. Nonexchange revenues, including taxes, interest expense, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

Income Taxes

The District is organized as a political subdivision of the state of Colorado and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a). The Foundation is exempt from income taxes under Section 501(c)(3) of the IRC 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 District expenses advertising costs as incurred.

Fair Value Measurements

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

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

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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Fair Value Measurements (Continued)

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

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

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

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

NOTE 2 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that 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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE

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

Hospital and Clinic

Medicare

The District has elected the Critical Access Hospital (CAH) designation. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Through October 31, 2016, inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicaid beneficiaries were paid based on a cost-reimbursement methodology. The District 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 District's Medicaid cost reports have settled through the year ended October 31, 2016. On November 1, 2016, the Medicaid program began reimbursing inpatient nonacute services and certain outpatient services using a prospective payment methodology.

In 2012, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee. The inpatient fee is based on a rate for managed care and nonmanaged care days for the reporting period and the outpatient fee is based on a percentage of total outpatient charges. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal funds into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. Beginning with the state fiscal year ended June 30, 2011, funding received in excess of costs to provide these services to Medicaid and uninsured patients may be refunded. As of December 31, 2019 and 2018, the District has recorded a reserve of \$350,000, 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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Hospital and Clinic (Continued)

Other

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

Uninsured

The District provides 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 District's charity care policy.

Nursing Facility

Medicare

The Nursing Facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The Nursing Facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Medicaid

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

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Concentrations of gross revenue by major payor accounted for the following percentages of the District's patient and resident revenues for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medicare	43 %	48 %
Medicaid	12	14
Other Third Party	43	35
Self Pay	2	3
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 \$617,000 and \$241,000 for the years ended December 31, 2019 and 2018, 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.

The following is a reconciliation of gross patient and resident service revenue to net patient and resident service revenue for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Gross Patient and Resident Service Revenue	\$ 91,195,541	\$ 90,001,176
Less Charity Care	(812,791)	(1,114,125)
Total Patient and Resident Service Revenue	<u>90,382,750</u>	<u>88,887,051</u>
Contractual Adjustments		
Medicare	(23,610,172)	(22,727,395)
Medicaid	(7,661,893)	(8,351,409)
Blue Cross Blue Shield	(986,647)	(904,092)
Other	(8,656,713)	(7,745,185)
Provision for Bad Debts	<u>(1,130,251)</u>	<u>(714,907)</u>
Total Contractual Adjustments and Provision for Bad Debts	<u>(42,045,676)</u>	<u>(40,442,988)</u>
Net Patient and Resident Service Revenue	<u>\$ 48,337,074</u>	<u>\$ 48,444,063</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 PATIENT AND RESIDENT ACCOUNTS RECEIVABLE, NET

The District 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, 2019 and 2018 consisted of the following:

	2019	2018
Medicare	29 %	39 %
Medicaid	8	9
Other Third Party	45	34
Self Pay	18	18
Total	100 %	100 %

NOTE 5 DEPOSITS AND INVESTMENTS

Deposits

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

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

The District 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.

Investments

At December 31, 2019 and 2018, the District had the following investments and maturities:

Type	Fair Value	Rating	December 31, 2019			
			Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 757,615	NA	\$ 757,615	\$ -	\$ -	\$ -
Government Securities	1,004,877	AA+	1,004,877	-	-	-
Corporate Bonds	251,849	AA-	251,849	-	-	-
Total Investments	\$ 2,014,341		\$ 2,014,341	\$ -	\$ -	\$ -

Type	Fair Value	Rating	December 31, 2018			
			Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 1,753,568	NA	\$ 1,505,339	\$ 248,229	\$ -	\$ -
Government Securities	2,394,401	AA+	2,394,401	-	-	-
Corporate Bonds	4,757,459	A+ - AA+	4,508,283	249,176	-	-
Total Investments	\$ 8,905,428		\$ 8,408,023	\$ 497,405	\$ -	\$ -

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The District 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 District 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 District measured at fair value on a recurring basis as of December 31, 2019 and 2018:

<u>Investment Type</u>	December 31, 2019			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Government Securities	\$ 1,004,877	\$ -	\$ -	\$ 1,004,877
Corporate Bonds	-	251,849	-	251,849
Total	<u>\$ 1,004,877</u>	<u>\$ 251,849</u>	<u>\$ -</u>	<u>\$ 1,256,726</u>

<u>Investment Type</u>	December 31, 2018			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Government Securities	\$ 2,394,401	\$ -	\$ -	\$ 2,394,401
Corporate Bonds	-	4,757,459	-	4,757,459
Total	<u>\$ 2,394,401</u>	<u>\$ 4,757,459</u>	<u>\$ -</u>	<u>\$ 7,151,860</u>

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 District'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 limit 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, 2019 and 2018, the District believes it was compliant with State Statutes with regard to credit risk. The District 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 District 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 District's investments in repurchase agreements at December 31, 2019 and 2018 are held by the counterparties in other than the District's name. The District's investment policy does not address how the securities' underlying repurchase agreements are to be held.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Summary of Carrying Values

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

	2019	2018
Carrying Value:		
Deposits	\$ 20,115,903	\$ 14,676,003
Investments	2,014,341	8,905,428
Total Deposits and Investments	\$ 22,130,244	\$ 23,581,431
	2019	2018
Included in the Following Statements of Net Position Captions:		
Cash and Cash Equivalents	\$ 18,703,367	\$ 13,272,797
Restricted Cash Under Debt Agreement	1,412,536	1,403,206
Noncurrent Cash and Investments:		
Long-Term Investments	2,014,341	8,905,428
Total Deposits and Investments	\$ 22,130,244	\$ 23,581,431

Investment Income

Investment income consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest Income	\$ 362,010	\$ 299,386
Unrealized Losses	(27,082)	(42,864)
Total	\$ 334,928	\$ 256,522

NOTE 6 CAPITAL ASSETS, NET

Capital asset activity for the year ended December 31, 2019 was as follows:

	2019				Ending
	Beginning	Additions	Disposals and	Transfers	Balance
	Balance		Retirements		
Land	\$ 513,973	\$ -	\$ -	\$ -	\$ 513,973
Land Improvements	881,009	-	-	-	881,009
Buildings and Leasehold Improvements	39,958,325	260,220	-	-	40,218,545
Equipment	9,434,095	923,713	(80,094)	2,857,882	13,135,596
Construction in Progress	661,187	3,015,069	-	(2,857,882)	818,374
Total	51,448,589	4,199,002	(80,094)	-	55,567,497
Less Accumulated Depreciation:					
Land Improvements	658,743	35,906	-	-	694,649
Buildings and Leasehold Improvements	14,380,399	1,251,219	-	-	15,631,618
Equipment	6,780,771	794,093	(80,094)	-	7,494,770
Total	21,819,913	2,081,218	(80,094)	-	23,821,037
Capital Assets, Net	\$ 29,628,676	\$ 2,117,784	\$ -	\$ -	\$ 31,746,460

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 CAPITAL ASSETS, NET (CONTINUED)

Capital asset activity for the year ended December 31, 2018 was as follows:

	2018				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 513,973	\$ -	\$ -	\$ -	\$ 513,973
Land Improvements	888,759	-	(7,750)	-	881,009
Buildings and Leasehold Improvements	40,049,633	111,516	(916,659)	713,835	39,958,325
Equipment	9,988,895	369,388	(924,188)	-	9,434,095
Construction in Progress	148,818	1,226,204	-	(713,835)	661,187
Total	<u>51,590,078</u>	<u>1,707,108</u>	<u>(1,848,597)</u>	<u>-</u>	<u>51,448,589</u>
Less Accumulated Depreciation:					
Land Improvements	629,115	37,378	(7,750)	-	658,743
Buildings and Leasehold Improvements	14,095,557	1,201,501	(916,659)	-	14,380,399
Equipment	6,855,942	830,038	(905,209)	-	6,780,771
Total	<u>21,580,614</u>	<u>2,068,917</u>	<u>(1,829,618)</u>	<u>-</u>	<u>21,819,913</u>
Capital Assets, Net	<u>\$ 30,009,464</u>	<u>\$ (361,809)</u>	<u>\$ (18,979)</u>	<u>\$ -</u>	<u>\$ 29,628,676</u>

Construction in progress at December 31, 2019 consists of costs the related to leasehold improvements for the Urgent Care Clinic and various other projects. The Urgent Care Clinic leasehold improvements are expected to be completed in May 2020 at an estimated cost of \$2.5 million. This project the being funded through a note payable as identified in Note 11. The various other projects are expected to be completed throughout the first half of fiscal year 2020 at an estimated total cost of approximately \$875,000. These various projects are being funded through operations.

NOTE 7 LINE OF CREDIT

The District 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 and currently is renewed through July 30, 2020. Borrowings under the line of credit bear interest at the Prime Rate as published by the Wall Street Journal less 0.75 percentage points. The minimum interest rate is 3.5% and the line of credit is secured by all accounts the District holds with the financial institution, to the extent permitted by applicable law. There was no amount outstanding as of December 31, 2019 and 2018.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 LONG-TERM DEBT

The following is a summary of long-term debt transactions for the District for the years ended December 31, 2019 and 2018:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	\$ 14,545,000	\$ -	\$ (1,060,000)	\$ 13,485,000	\$ -
	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	\$ 16,605,000	\$ -	\$ (2,060,000)	\$ 14,545,000	\$ -
Capital Lease Obligations	14,920	-	(14,920)	-	-
Total Long-Term Debt	<u>\$ 16,619,920</u>	<u>\$ -</u>	<u>\$ (2,074,920)</u>	<u>\$ 14,545,000</u>	<u>\$ -</u>

During 2016, the District refinanced its Limited Tax-Revenue Bonds Series 2006 (the Bonds) with Promissory Notes, Series 2016 (the Notes). The District 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 District's pledged revenues. As of December 31, 2019 and 2018, the District had made the principal payment due on January 1 of the subsequent year, thus there is no current portion of long-term debt shown in the financial statements.

Restrictive Covenants

Under the terms of the Promissory Notes, Series 2016 agreement, the District 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 District 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 District is in compliance with restrictive covenants at December 31, 2019.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 LONG-TERM DEBT (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Promissory Notes, Series 2016</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 327,417
2021	1,085,000	349,304
2022	1,105,000	328,767
2023	1,125,000	307,854
2024	1,140,000	282,219
2025 - 2029	6,250,000	880,523
2030 - 2031	2,780,000	82,663
Total	<u>\$ 13,485,000</u>	<u>\$ 2,558,747</u>

Capital Lease Obligations

The District was obligated under lease agreements for equipment that was accounted for as a capital lease obligations. The capital lease obligations required varying monthly payments at an interest rate of 3% through January 2018 and were secured by the leased equipment. The capital lease obligations were paid in full during fiscal year 2018.

NOTE 9 PENSION PLAN

The District has a money purchase pension plan (the Plan) covering all employees of the District immediately upon hire. The Plan was established by and can be amended by the authority of the District's board of directors. 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 District. Total pension expense for the years ended December 31, 2019, 2018, and 2017 was \$1,480,807, \$1,349,522, and \$1,259,799, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Risk Management

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

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

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

Malpractice Claims

The District 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 District 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, 2019. Further, the District is subject to the provisions of the Colorado Government Immunity Act, which provides a limitation on the liability of the District. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Employee Health Insurance

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District 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 District's estimate will change by a material amount in the near term.

Activity in the District's accrued employee health claims liability during 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Balance - Beginning of Year	\$ 319,000	\$ 475,000
Current Year Claims Incurred and Changes in Estimate for Claims Incurred in Prior Years	3,410,908	3,607,957
Claims and Expenses Paid	<u>(3,429,908)</u>	<u>(3,763,957)</u>
Balance - End of Year	<u>\$ 300,000</u>	<u>\$ 319,000</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

During fiscal year 2019 the District entered into a lease for the Urgent Care Clinic space. The lease starts in fiscal year 2020 and expires in fiscal year 2030 with an option to extend for an additional ten year period. A summary of future minimum operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 239,956
2021	417,831
2022	426,188
2023	434,711
2024	443,406
Thereafter	2,523,333
Total	<u>\$ 4,485,424</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 District operates a Compliance Committee which reviews the operations of the District. The District records allowances where the government has shown a pattern of adjusting periodic reports submitted by the District, including Medicare cost reports or tax reporting, or where internal reviews indicate the possibility of future adjustments. Management believes that the District is in substantial compliance with current laws and regulations.

Other

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

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

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

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

In April 2020, the District received payments under the Medicare Accelerated and Advanced Payment Program (the Program) of approximately \$4,400,000 to help with cash flow during the COVID-19 pandemic. Under the Program these funds will start to be repaid 120 days after the funding is received and are to be repaid in full within a one year from the receipt of the accelerated payments. The District also received \$702,000 under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) which is treated as a grant.

On March 30, 2020, the District entered into a promissory note payable with a financial institution for \$2,500,000 to fund the construction costs related to the Urgent Care Clinic buildout. Starting April 30, 2021, monthly payments of \$22,361 are due on the promissory note payable and they continue through March 30, 2031. Interest accrues at the Bank of Colorado Estes Park 12-month Public Funds Certificate of Deposit Rate plus 1% (1.1% as of the loan issuance date). The promissory note payable is secured by a certificate of deposit account held by the financial institution.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
BUDGETED AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net Patient and Resident Service Revenue	\$ 48,337,074	\$ 50,327,968	\$ (1,990,894)
Other Revenue	727,677	875,430	(147,753)
Total Operating Revenues	49,064,751	51,203,398	(2,138,647)
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	28,516,716	28,886,598	369,882
Other	23,777,594	22,261,824	(1,515,770)
Total Operating Expenses	52,294,310	51,148,422	(1,145,888)
OPERATING INCOME (LOSS)	(3,229,559)	54,976	(3,284,535)
NONOPERATING REVENUES (EXPENSES)	2,879,426	2,506,823	372,603
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (350,133)	\$ 2,561,799	\$ (2,911,932)

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 Health
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 Health (the District), which comprise the statement of net position as of December 31, 2019, 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 27, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 27, 2020