

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019

**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, 2020 and 2019, 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, 2020 and 2019, 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 34 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, 2021, 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, 2021

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019. 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 increased in 2020 by \$7,257,285, or 35%, compared to a decrease of \$1,460,517, or 7%, in 2019.
- Net position decreased \$3,488,579 in 2020 and \$248,038 in 2019.
- Net operating revenues decreased by \$856,099, or 1.8%, in 2020, and \$247,990, or 0.5%, in 2019.
- Operating expenses increased by \$3,000,162, or 5%, in 2020, and \$2,550,070, or 5%, in 2019.
- Nonoperating revenues (expenses) increased by \$194,045 in 2020 compared to a decrease of \$9,240 in 2019.

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, 2020 AND 2019**

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.

TABLE 1: ASSETS, LIABILITIES, AND NET POSITION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	\$ 13,595,816	\$ 18,703,367	\$ 13,272,797
Patient and Resident Accounts Receivable, Net	5,934,941	6,455,682	6,470,014
Other Current Assets	9,864,760	6,478,394	5,799,168
Capital Assets, Net	32,139,581	31,746,460	29,628,676
Long-Term Investments	14,379,177	2,014,341	8,905,428
Other Noncurrent Assets	-	285,184	325,000
Total Assets	<u>\$ 75,914,275</u>	<u>\$ 65,683,428</u>	<u>\$ 64,401,083</u>
LIABILITIES			
Current Liabilities	\$ 18,700,964	\$ 5,948,560	\$ 4,507,317
Long-Term Liabilities	15,211,280	14,240,513	14,545,000
Total Liabilities	<u>33,912,244</u>	<u>20,189,073</u>	<u>19,052,317</u>
Deferred Inflows - Property Taxes	3,115,979	3,119,724	2,726,097
NET POSITION			
Net Investment in Capital Assets	17,239,581	18,261,460	15,083,676
Restricted Expendable	3,915,919	1,412,536	1,403,206
Unrestricted	17,730,552	22,700,635	26,135,787
Total Net Position	<u>38,886,052</u>	<u>42,374,631</u>	<u>42,622,669</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 75,914,275</u>	<u>\$ 65,683,428</u>	<u>\$ 64,401,083</u>

THE DISTRICT'S ASSETS AND LIABILITIES

The most noteworthy changes in 2020 to the District's statement of net position are the increases in total cash and investments, other current assets, and current liabilities. The statement of net position shows that total cash and investments increased \$7,257,285 between 2019 and 2020. A decline in the operating loss in 2020 was caused by the COVID-19 pandemic. As a result of the pandemic the District received a paycheck protection program loan, payments from the Medicare advanced payment program, and HHS provider relief funds to assist with cash flow impacts from the COVID-19 pandemic. Other current assets increased by \$3,386,366 between 2019 and 2020 as a result third party payor settlements, increases in inventory, and \$2.5 million required to be restricted under a debt agreement. Current liabilities increased in 2020 primarily as a result of the assistance received related to the COVID-19 pandemic which caused the increase in total cash and investments.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

THE DISTRICT'S ASSETS AND LIABILITIES (CONTINUED)

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.

OPERATING RESULTS AND CHANGES IN DISTRICT'S NET POSITION

In 2020 and 2019 the District's net position decreased by \$3,488,579 and \$248,038, respectively. See Table 2 for the operating results and changes in net position.

TABLE 2: OPERATING RESULTS AND CHANGES IN NET POSITION

	2020	2019	2018
OPERATING REVENUES			
Net Patient and Resident Service Revenues	\$ 47,742,249	\$ 48,337,074	\$ 48,444,063
Other Operating Revenues	466,403	727,677	868,678
Total Operating Revenues	<u>48,208,652</u>	<u>49,064,751</u>	<u>49,312,741</u>
OPERATING EXPENSES			
Salaries and Employee Benefits	29,474,925	28,516,716	26,722,743
Purchased Services and Professional Fees	11,939,927	11,797,929	10,902,501
Supplies and Other	10,729,164	9,898,447	10,050,079
Depreciation	3,150,456	2,081,218	2,068,917
Total Operating Expenses	<u>55,294,472</u>	<u>52,294,310</u>	<u>49,744,240</u>
OPERATING LOSS	(7,085,820)	(3,229,559)	(431,499)
NONOPERATING REVENUES AND EXPENSES			
Property Taxes	3,254,488	2,896,027	2,890,593
Investment Income	117,437	334,928	256,522
Interest Expense	(417,841)	(395,453)	(409,376)
Other Nonoperating Revenues and Expenses, Net	119,387	43,924	150,927
Net Nonoperating Revenues	<u>3,073,471</u>	<u>2,879,426</u>	<u>2,888,666</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(4,012,349)	(350,133)	2,457,167
CAPITAL GRANTS	523,770	102,095	91,582
INCREASE (DECREASE) IN NET POSITION	<u>\$ (3,488,579)</u>	<u>\$ (248,038)</u>	<u>\$ 2,548,749</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

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 2020, the District reported an operating loss of \$7,085,820, which is an increase from the operating loss reporting in 2019. The increase in the operating loss in 2020 was primarily driven by a decrease in patient and resident service revenues along with an increase in expenses due to the COVID-19 pandemic. 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 \$47.7 million in 2020 which is a decrease from the 2019 net patient and resident service revenue. Salaries and employee benefits increased in 2020 by \$958,209 or 3.3%. This was driven by salary increases and health insurance benefit costs. Supplies and other costs expenses increased in 2020 by \$830,717 as a result of increased rent expense for the Urgent Care Clinic and supply costs related to the COVID-19 pandemic. Depreciation expense increased by \$1,069,238 or 34% as a result of a full year of depreciation on prior year capital projects.

The provision for bad debt in 2020 decreased from 2019 by 42%. The decrease in the provision for bad debt was primarily driven by an increase in CACP adjustments in 2020. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was \$1,301,000 and \$1,784,000 for 2020 and 2019, respectively.

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.

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.

COVID-19 AND FIRE EVACUATION IMPACT

The District was seriously impacted from the COVID-19 pandemic during the year. Also, the impact of the East Troublesome Fire resulted in a complete evacuation of the Hospital and the entire Town of Estes Park for one week in October 2020. As a result of both of these events the District experienced a decline in patient visits and revenues of approximately 15%. Management instituted mitigation plans for reducing costs and recovery of services to make sure the District remains financially viable.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020 AND 2019**

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 11% in 2020 and 0.2% in 2019. Revenues from investments decreased by 185% for 2020 and increased by 31% for 2019, due to the changing economic climate. Interest expense increased 5% in 2020 as a result of the 2020 debt issuances being offset by principal payments continuing to be made on outstanding long-term debt.

THE DISTRICT'S CASH FLOWS

Even though the District experienced an increase in loss from operations in 2020 due to the COVID-19 pandemic it received funding to assist with cash flow impacts as discussed earlier. The District is potentially obligated to pay back these funds based on the conditions associated with the programs.

CAPITAL ASSETS, NET

The District's capital assets, net of accumulated depreciation, increased from \$31,746,460 in 2019 to \$32,139,581 in 2020, as detailed in Note 6 to the financial statements. During 2020 and 2019, the District added capital assets of \$3,543,577 and \$4,199,002, respectively.

LONG-TERM DEBT

At December 31, 2020 and 2019, the District had long-term debt (including current portion) of \$19,700,000 and \$13,485,000, respectively. During fiscal year 2020 the District issued \$2,500,000 of debt to finance the leasehold improvements for the Urgent Care Clinic project. The District also received a Paycheck Protection Program (PPP) loan in the amount of \$4,800,000 as part of its response to the COVID-19 pandemic. The PPP loan has requirements that if met by the District allow for the PPP loan to be partially or fully forgiven. As of December 31, 2020 the PPP loan had not been forgiven and it is shown as debt in the financial statements.

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 (CONTINUED)
DECEMBER 31, 2020 AND 2019**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 4,978,114	\$ -
Accounts Payable	1,908,974	2,250,218
Estimated Third-Party Payor Settlements	-	829,000
Deferred Revenue	9,741,999	-
Accrued Expenses:		
Salaries, Wages, and Related Liabilities	1,095,658	1,683,574
Compensated Absences	784,120	1,102,158
Other	192,099	83,610
Total Current Liabilities	18,700,964	5,948,560
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	14,721,886	13,485,000
Long-Term Portion of Accounts Payable	489,394	755,513
Total Long-Term Liabilities	15,211,280	14,240,513
 Total Liabilities	 33,912,244	 20,189,073
DEFERRED INFLOWS OF RESOURCES - PROPERTY TAXES	3,115,979	3,119,724
NET POSITION		
Net Investment in Capital Assets	17,239,581	18,261,460
Restricted, Expendable	3,915,919	1,412,536
Unrestricted	17,730,552	22,700,635
Total Net Position	38,886,052	42,374,631
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 75,914,275	 \$ 65,683,428

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, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 149,347	\$ 528,911
Promises to Give, Short-Term	50,677	8,002
Other Receivables	-	5,230
Prepaid Expenses	1,273	1,236
Total Current Assets	201,297	543,379
OTHER ASSETS		
Property and Equipment, Net	5,355	-
Investments	3,729,402	3,385,094
Charitable Remainder Unitrust Receivable	109,036	81,131
Net Promises to Give, Long-Term	7,373	9,727
Total Other Assets	3,851,166	3,475,952
Total Assets	\$ 4,052,463	\$ 4,019,331
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ -	\$ 68
Accrued Expenses	31,126	23,077
Refundable Advance	54,210	-
Total Current Liabilities	85,336	23,145
NET ASSETS		
Net Assets without Donor Restrictions	1,272,094	1,041,584
Net Assets with Donor Restrictions	2,695,033	2,954,602
Total Net Assets	3,967,127	3,996,186
Total Liabilities and Net Assets	\$ 4,052,463	\$ 4,019,331

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, 2020 AND 2019**

	2020	2019
OPERATING REVENUE		
Net Patient and Resident Service Revenue, Net of Provision for Bad Debts of Approximately \$650,000 in 2020 and \$1,130,000 in 2019, Respectively	\$ 47,742,249	\$ 48,337,074
Other Revenue	466,403	727,677
Total Operating Revenue	48,208,652	49,064,751
OPERATING EXPENSES		
Salaries and Wages	23,495,828	22,868,648
Employee Benefits	5,979,097	5,648,068
Professional Fees and Purchased Services	11,939,927	11,797,929
Supplies	6,132,181	5,964,403
Utilities	589,116	583,846
Leases and Rentals	797,501	401,423
Insurance	360,972	305,411
Repairs and Maintenance	150,259	150,314
Depreciation	3,150,456	2,081,218
Other	2,699,135	2,493,050
Total Operating Expenses	55,294,472	52,294,310
OPERATING LOSS	(7,085,820)	(3,229,559)
NONOPERATING REVENUES (EXPENSES)		
Property Tax Revenues	3,254,488	2,896,027
Interest Expense	(417,841)	(395,453)
Investment Income	117,437	334,928
Gain on Disposal of Capital Assets	-	8,500
Noncapital Grants and Contributions	26,206	23,021
Other	93,181	12,403
Total Nonoperating Revenues, Net	3,073,471	2,879,426
DEFICIT OF REVENUES OVER EXPENSES BEFORE CAPITAL CONTRIBUTIONS	(4,012,349)	(350,133)
Capital Contributions	523,770	102,095
DECREASE IN NET POSITION	(3,488,579)	(248,038)
Net Position - Beginning of Year	42,374,631	42,622,669
NET POSITION - END OF YEAR	\$ 38,886,052	\$ 42,374,631

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, 2020 AND 2019**

	2020	2019
REVENUES, GAINS, AND OTHER SUPPORT WITHOUT RESTRICTIONS		
Contributions	\$ 98,705	\$ 134,371
Investment Income, Net	230,717	263,595
Net Assets Released from Restriction	842,769	420,800
Total Revenues, Gains, and Other Support without Restrictions	1,172,191	818,766
 EXPENSES		
Grants and Contributions to Estes Park Medical Center:		
Capital Assets	620,933	61,240
Salaries and Benefits	269,487	260,212
Advertising and Marketing	19,349	32,876
Office Expenses	10,732	10,146
Professional Fees	15,069	28,306
Contracted Services	3,834	5,072
Insurance	2,425	2,511
Depreciation	282	-
Travel and Meetings	(430)	8,234
Total Expenses	941,681	408,597
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	230,510	410,169
 NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	350,629	457,704
Restricted Investment Income	232,571	359,561
Net Assets Released from Restriction	(842,769)	(420,800)
Increase (Decrease) in Net Assets with Donor Restrictions	(259,569)	396,465
 CHANGE IN NET ASSETS	(29,059)	806,634
 Net Assets - Beginning of Year	3,996,186	3,189,552
 NET ASSETS - END OF YEAR	\$ 3,967,127	\$ 3,996,186

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients and Residents	\$ 50,960,878	\$ 48,311,406
Payments to Suppliers and Contractors	(22,641,734)	(21,375,786)
Payments for Employee Salaries and Benefits	(30,272,390)	(28,070,641)
Other Receipts and Payments	488,326	712,187
Net Cash Used by Operating Activities	(1,464,920)	(422,834)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes Supporting Operations	3,256,863	2,886,804
Issuance of Long-Term Debt	4,800,000	-
HHS Provider Relief Fund	5,370,111	-
Noncapital Grants and Contributions	26,206	23,021
Net Cash Provided by Noncapital Financing Activities	13,453,180	2,909,825
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and Construction of Capital Assets	(3,959,139)	(2,940,651)
Proceeds from Disposal of Capital Assets	-	8,500
Issuance of Long-Term Debt	2,500,000	-
Principal Payments on Long-Term Debt	(1,085,000)	(1,060,000)
Interest Paid on Long-Term Debt	(417,841)	(395,453)
Capital Contributions	523,770	102,095
Net Cash Used by Capital and Related Financing Activities	(2,438,210)	(4,285,509)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of Investments	(12,364,836)	6,891,087
Investment Income and Other	210,618	347,331
Net Cash Provided (Used) by Investing Activities	(12,154,218)	7,238,418
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,604,168)	5,439,900
Cash and Cash Equivalents - Beginning of Year	20,115,903	14,676,003
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,511,735	\$ 20,115,903

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	\$ 13,595,816	\$ 18,703,367
Restricted Cash Under Debt Agreement	3,915,919	1,412,536
Total Cash and Cash Equivalents	\$ 17,511,735	\$ 20,115,903
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (7,085,820)	\$ (3,229,559)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation	3,150,456	2,081,218
Provision for Bad Debts	650,166	1,130,251
(Increase) Decrease in Assets:		
Patient and Resident Receivables	(129,425)	(1,115,919)
Other Receivables	21,923	(15,490)
Supplies	(180,421)	15,446
Prepaid Expenses	114,395	(267,002)
Long-Term Prepaid Lease	285,184	39,816
Increase (Decrease) in Liabilities:		
Accounts Payable	(191,801)	532,330
Estimated Third-Party Payor Settlements	(1,674,000)	(40,000)
Deferred Revenue	4,371,888	-
Accrued Salaries, Compensated Absences, and Other	(797,465)	446,075
Net Cash Used by Operating Activities	\$ (1,464,920)	\$ (422,834)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Capital Assets Included in Accounts Payable	\$ 842,789	\$ 1,258,351

See accompanying Notes to Financial Statements.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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. Subsequent to December 31, 2020, the District closed the Nursing Facility and the residents were transferred to other facilities for care. 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.

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, 2020 AND 2019**

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, 2020 and 2019, the allowance for uncollectible accounts was approximately \$1,301,000 and \$1,784,000, 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, 2020 AND 2019**

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 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.

Deferred Revenue

Revenue received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred and then revenue is recognized.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 \$377,000 and \$813,000 for 2020 and 2019, 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 deficit of revenues over expenses before capital contributions.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 AND 2019**

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, 2018. 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, 2020 and 2019, the District has recorded a reserve of \$-0- and \$350,000, 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 HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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. On October 1, 2019, CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system. 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, 2020 AND 2019**

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare	39 %	43 %
Medicaid	14	12
Other Third Party	43	43
Self Pay	4	2
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 \$795,000 and \$617,000 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross Patient and Resident Service Revenue	\$ 84,289,800	\$ 91,195,541
Less Charity Care	(376,832)	(812,791)
Total Patient and Resident Service Revenue	83,912,968	90,382,750
Contractual Adjustments		
Medicare	(19,979,603)	(23,610,172)
Medicaid	(8,018,677)	(7,661,893)
CICP	(891,100)	(211,153)
Other	(6,631,173)	(9,432,207)
Provision for Bad Debts	(650,166)	(1,130,251)
Total Contractual Adjustments and Provision for Bad Debts	<u>(36,170,719)</u>	<u>(42,045,676)</u>
Net Patient and Resident Service Revenue	<u>\$ 47,742,249</u>	<u>\$ 48,337,074</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019 consisted of the following:

	2020	2019
Medicare	52 %	29 %
Medicaid	5	8
Other Third Party	27	45
Self Pay	16	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.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At December 31, 2020 and 2019, the District had the following investments and maturities:

		December 31, 2020				
Type	Fair Value	Rating	Less than 1	1-5	6-10	More than 10
Municipal Bonds	\$ 462,976	AAA	\$ -	\$ 462,976	\$ -	\$ -
Government Securities	11,083,000	AA- to AA+	-	11,083,000	-	-
Corporate Bonds	2,833,201	AA- to AA+	717,689	2,115,512	-	-
Total Investments	<u>\$ 14,379,177</u>		<u>\$ 717,689</u>	<u>\$ 13,661,488</u>	<u>\$ -</u>	<u>\$ -</u>

		December 31, 2019				
Type	Fair Value	Rating	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	<u>\$ 2,014,341</u>		<u>\$ 2,014,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2020 and 2019:

		December 31, 2020			
Investment Type		Level 1	Level 2	Level 3	Total
Municipal Bonds	\$ 462,976	\$ -	\$ -	\$ -	\$ 462,976
Government Securities	11,083,000	-	-	-	11,083,000
Corporate Bonds	-	2,833,201	-	-	2,833,201
Total	<u>\$ 11,545,976</u>	<u>\$ 2,833,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,379,177</u>

		December 31, 2019			
Investment Type		Level 1	Level 2	Level 3	Total
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>\$ -</u>	<u>\$ 1,256,726</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.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020 and 2019, 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, 2020 and 2019 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.

Summary of Carrying Values

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

	<u>2020</u>	<u>2019</u>
Carrying Value:		
Deposits	\$ 17,511,735	\$ 20,115,903
Investments	14,379,177	2,014,341
Total Deposits and Investments	<u>\$ 31,890,912</u>	<u>\$ 22,130,244</u>
	<u>2020</u>	<u>2019</u>
Included in the Following Statements of Net Position Captions:		
Cash and Cash Equivalents	\$ 13,595,816	\$ 18,703,367
Restricted Cash Under Debt Agreement	3,915,919	1,412,536
Noncurrent Cash and Investments:		
Long-Term Investments	14,379,177	2,014,341
Total Deposits and Investments	<u>\$ 31,890,912</u>	<u>\$ 22,130,244</u>

Investment Income

Investment income consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest Income	\$ 135,046	\$ 362,010
Unrealized Losses	(17,609)	(27,082)
Total	<u>\$ 117,437</u>	<u>\$ 334,928</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2021. 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, 2020 and 2019.

NOTE 8 LONG-TERM DEBT

The following is a summary of long-term debt transactions for the District for the years ended December 31, 2020 and 2019:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	\$ 13,485,000	\$ -	\$ (1,085,000)	\$ 12,400,000	\$ -
2020 Promissory Note	-	2,500,000	-	2,500,000	178,114
PPP Loan	-	4,800,000	-	4,800,000	4,800,000
Total Long-Term Debt	\$ 13,485,000	\$ 7,300,000	\$ (1,085,000)	\$ 19,700,000	\$ 4,978,114
	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	\$ -

Promissory Notes, Series 2016

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, 2020 and 2019, 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.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 LONG-TERM DEBT (CONTINUED)

2020 Promissory Note

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.

Paycheck Protection Program Loan

On April 24, 2020, the District received a loan through the U.S. Small Business Administration Paycheck Protection Program (PPP) in the amount of \$4,800,000. The loan was received as part of the response to the COVID-19 pandemic. The loan accrues interest at 1% with principal and interest payments due monthly starting either (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The loan payments will be due over 18 months. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. The District anticipates forgiveness in fiscal year 2021 and has shown the debt as current on the statements of net position.

Restrictive Covenants

Under the terms of the Promissory Notes, Series 2016 agreement, and the 2020 Promissory Note, the District is required to maintain certain deposits with the lenders. 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. The District was not in compliance with the debt-service coverage ratio requirement in fiscal year 2020 and received a waiver of the covenant violation from the lender. Management believes the District is in compliance with the remaining restrictive covenants at December 31, 2020.

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

<u>Year Ending December 31.</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 4,978,114	\$ 376,152
2022	1,344,782	353,101
2023	1,367,433	329,537
2024	1,385,113	301,222
2025	1,422,823	264,668
2026 - 2030	7,725,825	733,669
2031	1,475,910	21,020
Total	<u>\$ 19,700,000</u>	<u>\$ 2,379,369</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020, 2019, and 2018 was \$1,507,341, \$1,480,807, and \$1,349,522, 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.

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, 2020. 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.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Balance - Beginning of Year	\$ 300,000	\$ 319,000
Current Year Claims Incurred and Changes in Estimate for Claims Incurred in Prior Years	3,640,373	3,410,908
Claims and Expenses Paid	<u>(3,640,373)</u>	<u>(3,429,908)</u>
Balance - End of Year	<u>\$ 300,000</u>	<u>\$ 300,000</u>

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. During fiscal year 2020, the District entered into an apartment lease for two years that expires May 31, 2022. A summary of future minimum operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 447,148
2022	437,991
2023	434,001
2024	442,681
2025	451,534
Thereafter	<u>1,939,065</u>
Total	<u>\$ 4,152,420</u>

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Compliance

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

Other

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

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

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

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 11 COVID-19 PANDEMIC

In March 2020, 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 2021 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, 2020.

As part of the District's response to the COVID-19 pandemic, it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services. The District received PRF payments in the amount of \$5,370,111 and recognized revenues in the amount of \$-0- during 2020. The remaining balance of \$5,370,111 is included in deferred revenue at December 31, 2020. The PRF payments have terms and conditions that the District is required to follow and these funds are subject to audit. As part of the PRF terms and conditions, amounts received by the District could potentially be recouped if not spent in full or if the amounts are not spent in accordance with the terms and conditions. Management believes the amounts have been recognized appropriately as of December 31, 2020.

As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act the Centers for Medicare & Medicaid Services (CMS) administered an Accelerated and Advanced Payment Program to provide additional relief funds to providers. During the year ended December 31, 2020, the District received total advanced funds through the Accelerated and Advanced Payment Program of \$4,381,398. These payments were received in April 2020 and will need to start to be repaid within a year from receipt. The District has up to 29 months from the date the payments were made to repay the balance. These amounts are reflected as deferred revenue on the statements of financial position.

**PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
BUDGETED AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net Patient and Resident Service Revenue	\$ 47,742,249	\$ 53,423,079	\$ (5,680,830)
Other Revenue	466,403	988,559	(522,156)
Total Operating Revenues	48,208,652	54,411,638	(6,202,986)
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	29,474,925	31,930,961	2,456,036
Other	25,819,547	24,461,093	(1,358,454)
Total Operating Expenses	55,294,472	56,392,054	1,097,582
OPERATING LOSS	(7,085,820)	(1,980,416)	(5,105,404)
NONOPERATING REVENUES (EXPENSES)	3,073,471	2,900,484	172,987
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (4,012,349)	\$ 920,068	\$ (4,932,417)

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, 2020, 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, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

Board of Directors
Park Hospital District
dba: Estes Park Health

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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, 2021