

**Kremmling Memorial Hospital District  
doing business as  
Middle Park Health**

Basic Financial Statements and  
Independent Auditors' Reports

December 31, 2021 and 2020



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
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**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Kremmling, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Kremmling Memorial Hospital District doing business as Middle Park Health (the District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of budget and actual revenues and expenses, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended December 31, 2021. We issued a similar report for the year ended December 31, 2020, dated July 23, 2021, which has not been included with the 2021 financial compliance report. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Dingus, Zarecor & Associates PLLC***

Spokane Valley, Washington  
June 17, 2022

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Statements of Net Position**  
**December 31, 2021 and 2020**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2021</b>	<b>2020</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 18,564,821	\$ 16,186,045
Receivables:		
Patient accounts, net of estimated uncollectibles	8,461,927	5,963,576
Property taxes	968,369	959,022
Estimated third-party payor settlements	1,221,539	1,688,000
Other	416,218	573,648
Inventories	1,114,600	839,981
Prepaid expenses and other current assets	319,735	298,001
Total current assets	31,067,209	26,508,273
<i>Noncurrent assets</i>		
Assets limited as to use, cash and cash equivalents	3,378,600	3,289,750
Capital assets, net	37,757,447	27,379,466
Total noncurrent assets	41,136,047	30,669,216
Total assets	72,203,256	57,177,489
<i>Deferred outflows of resources, deferred charge on debt refunding</i>	588,063	607,258
<b>Total assets and deferred outflows of resources</b>	<b>\$ 72,791,319</b>	<b>\$ 57,784,747</b>

*See accompanying notes to basic financial statements.*

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Statements of Net Position (Continued)**  
**December 31, 2021 and 2020**

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>2021</b>	<b>2020</b>
<i>Current liabilities</i>		
Accounts payable	\$ 769,718	\$ 1,297,907
Capital accounts payable	-	1,425,287
Accrued compensation and related liabilities	2,090,808	1,801,630
Current maturities of long-term debt	3,325,924	547,666
Current maturities of capital lease obligations	222,535	86,895
Unearned CARES Act Provider Relief Fund	907,542	-
Medicare accelerated payments payable	2,655,959	4,292,745
Refunds payable	-	549,743
Interest payable	72,517	223,000
Estimated third-party payor settlements	546,638	-
Total current liabilities	<b>10,591,641</b>	10,224,873
<i>Noncurrent liabilities</i>		
Capital lease obligations, net of current maturities	455,819	71,937
Long-term debt, net of current maturities	38,845,281	29,724,345
Paycheck Protection Program loan	2,534,874	2,534,874
Total noncurrent liabilities	<b>41,835,974</b>	32,331,156
Total liabilities	<b>52,427,615</b>	42,556,029
<i>Deferred inflows of resources, property tax levy</i>	968,369	956,364
Total liabilities and deferred inflows of resources	<b>53,395,984</b>	43,512,393
<i>Net position</i>		
Net investment in capital assets	(4,576,566)	(4,092,406)
Unrestricted	21,179,147	15,735,664
Restricted	2,792,754	2,629,096
Total net position	<b>19,395,335</b>	14,272,354
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 72,791,319</b>	<b>\$ 57,784,747</b>

*See accompanying notes to basic financial statements.*

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<i>Operating revenues</i>		
Net patient service revenue	\$ 44,071,208	\$ 38,131,150
Other	335,626	367,815
<b>Total operating revenues</b>	<b>44,406,834</b>	<b>38,498,965</b>
<i>Operating expenses</i>		
Salaries and wages	18,910,974	16,275,951
Employee benefits	4,976,092	4,722,678
Professional fees and other purchased services	6,351,689	5,701,428
Supplies	3,380,270	3,288,462
Depreciation and amortization	1,953,326	1,681,844
Insurance	288,449	263,415
Utilities	533,676	406,858
Repairs and maintenance	177,598	54,265
Leases and rentals	429,052	359,407
Provider fees	979,787	954,103
Other	576,673	399,827
<b>Total operating expenses</b>	<b>38,557,586</b>	<b>34,108,238</b>
<i>Operating income</i>	<b>5,849,248</b>	<b>4,390,727</b>
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	1,034,833	1,003,294
CARES Act Provider Relief Fund	-	4,633,857
COVID-19 grants	-	81,649
Interest income	18,525	51,259
Bond issuance costs	(605,904)	-
Interest expense	(1,173,721)	(870,600)
<b>Total nonoperating revenues (expenses)</b>	<b>(726,267)</b>	<b>4,899,459</b>
Change in net position	<b>5,122,981</b>	<b>9,290,186</b>
Net position, beginning of year	<b>14,272,354</b>	<b>4,982,168</b>
<b>Net position, end of year</b>	<b>\$ 19,395,335</b>	<b>\$ 14,272,354</b>

See accompanying notes to basic financial statements.

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 42,036,213	\$ 36,145,108
Cash received from other revenue	493,056	59,552
Payments to and on behalf of employees	(23,597,888)	(21,635,205)
Payments to suppliers and contractors	(13,541,736)	(11,016,700)
Net cash provided by operating activities	5,389,645	3,552,755
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	1,037,491	1,007,546
Proceeds from CARES Act Provider Relief Fund	907,542	4,633,857
Proceeds from COVID-19 grants	-	81,649
Proceeds from Paycheck Protection Program loan	-	2,534,874
Proceeds from Medicare accelerated payments	-	4,292,745
Repayments of Medicare accelerated payments	(1,636,786)	-
Net cash provided by noncapital financing activities	308,247	12,550,671
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(13,054,911)	(7,622,996)
Principal paid on capital lease obligations	(182,161)	(102,002)
Principal paid on long-term debt	(547,666)	(363,408)
Interest paid on long-term debt	(1,305,009)	(713,709)
Payments for debt issuance costs	(605,904)	-
Proceeds from the issuance of long-term debt	12,446,860	5,792,140
Net cash used in capital and related financing activities	(3,248,791)	(3,009,975)
<i>Cash flows from investing activities</i>		
Interest income	18,525	51,259
Net increase in cash and cash equivalents	2,467,626	13,144,710
Cash and cash equivalents, beginning of year	19,475,795	6,331,085
<b>Cash and cash equivalents, end of year</b>	<b>\$ 21,943,421</b>	<b>\$ 19,475,795</b>

*See accompanying notes to basic financial statements.*

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	2021	2020
<b><i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i></b>		
Cash and cash equivalents in current assets	\$ 18,564,821	\$ 16,186,045
Assets limited as to use, cash and cash equivalents	3,378,600	3,289,750
<b>Total cash and cash equivalents</b>	<b>\$ 21,943,421</b>	<b>\$ 19,475,795</b>
<b><i>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</i></b>		
Operating income	\$ 5,849,248	\$ 4,390,727
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation and amortization	1,953,326	1,681,844
Provision for bad debts	2,075,183	4,377,142
(Increase) decrease in assets:		
Receivables:		
Patient accounts receivable, net	(4,573,534)	(4,400,636)
Estimated third-party payor settlements	466,461	(1,688,000)
Other	157,430	(308,263)
Inventories	(274,619)	(86,138)
Prepaid expenses and other current assets	(21,734)	104,707
Increase (decrease) in liabilities:		
Accounts payable	(528,189)	392,496
Refunds payable	(549,743)	(227,112)
Accrued compensation and related liabilities	289,178	(636,576)
Estimated third-party payor settlements	546,638	(47,436)
<b>Net cash provided by operating activities</b>	<b>\$ 5,389,645</b>	<b>\$ 3,552,755</b>

**Noncash capital financing activities**

The District entered into various noncash capital leases in the amount of \$701,683 during the year ended December 31, 2021.

*See accompanying notes to basic financial statements.*

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements  
Years Ended December 31, 2021 and 2020**

**1. Reporting Entity and Summary of Significant Accounting Policies:**

**a. Reporting Entity**

Kremmling Memorial Hospital District doing business as Middle Park Health (the District) has a 19-bed critical care hospital, located in Kremmling, Colorado; a two-bed critical care hospital, located in Granby, Colorado; and rural health clinics located in Kremmling, Granby, Grand Lake, Walden, and Winter Park, Colorado. The District provides healthcare services to Grand, Summit, and Jackson Counties. The District was created in 1973 as a political subdivision of the state of Colorado. As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another government entity. The District does not have any material component units.

The District provides management services for the operation of Cliffview Assisted Living Center under a management contract with the Grand County Housing Authority. Cliffview Assisted Living Center is not considered a component unit of the District.

**b. Summary of Significant Accounting Policies**

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

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

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

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

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

***Assets limited as to use*** – Assets limited as to use include assets held by the trustee under indenture agreement for debt reserve requirements and designated by the Board for capital asset acquisitions.

**Kremmling Memorial Hospital District  
 doing business as Middle Park Health  
 Notes to Basic Financial Statements (Continued)  
 Years Ended December 31, 2021 and 2020**

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

**b. Summary of Significant Accounting Policies (continued)**

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

Estimated useful lives are as follows:

Land improvements	5 to 40 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years

**Compensated absences** – The District’s policies permit most employees to paid time off (PTO) for vacation, holidays, and sicknesses. The expense and the related liability are recognized as vacation benefits as earned. Compensated absence liabilities are computed using the regular pay rate in effect at the statement of net position dates plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

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

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

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

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

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

**b. Summary of Significant Accounting Policies (continued)**

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

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The new guidance is effective for the District’s year ending December 31, 2023. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**Reclassifications** – Certain amounts have been reclassified in the 2020 financial statements in order to be consistent with the 2021 financial statements. These reclassifications had no effect on previously reported change in net position.

**Subsequent events** – The District has evaluated subsequent events and transactions through June 17, 2022, the date on which the financial statements were available to be issued.

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**2. Deposits and Investments:**

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

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

*Investments* – Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker's acceptance notes, commercial paper, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in custody of a third party on behalf of the local government. The District had no investments at December 31, 2021 and 2020.

**3. Patient Accounts Receivable:**

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

The District's allowance for uncollectible accounts for self-pay patients decreased from the prior year as the District wrote off a significant amount of self-pay receivables. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**3. Patient Accounts Receivable (continued):**

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

	<b>2021</b>	<b>2020</b>
Receivable from patients and their insurance carriers	\$ 7,593,264	\$ 9,447,582
Receivable from Medicare	2,481,771	1,385,731
Receivable from Medicaid	1,019,759	311,263
Total patient accounts receivable	<b>11,094,794</b>	11,144,576
Less allowance for uncollectible accounts	<b>(2,632,867)</b>	(5,181,000)
<b>Patient accounts receivable, net</b>	<b>\$ 8,461,927</b>	<b>\$ 5,963,576</b>

**4. Assets Limited as to Use:**

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

	<b>2021</b>	<b>2020</b>
<i>Noncurrent assets</i>		
Cash and cash equivalents:		
Under debt agreements for debt reserve	\$ 2,792,754	\$ 2,629,096
Board designated for future capital projects	<b>585,846</b>	660,654
<b>Total assets limited as to use</b>	<b>\$ 3,378,600</b>	<b>\$ 3,289,750</b>

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**5. Capital Assets:**

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

	<b>Balance December 31, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance December 31, 2021</b>
<i>Capital assets not being depreciated</i>					
Land	\$ 4,541,453	\$ -	\$ -	\$ -	\$ 4,541,453
Construction in progress	10,057,806	10,974,116	-	(19,864,429)	1,167,493
Total capital assets not being depreciated	14,599,259	10,974,116	-	(19,864,429)	5,708,946
<i>Capital assets being depreciated</i>					
Land improvements	572,712	-	-	81,741	654,453
Buildings and improvements	15,910,766	-	-	19,466,711	35,377,477
Equipment	12,034,208	1,357,191	-	315,977	13,707,376
Total capital assets being depreciated	28,517,686	1,357,191	-	19,864,429	49,739,306
<i>Less accumulated depreciation for</i>					
Land improvements	278,428	40,670	-	-	319,098
Buildings and improvements	5,952,178	657,609	-	-	6,609,787
Equipment	9,506,873	1,255,047	-	-	10,761,920
Total accumulated depreciation	15,737,479	1,953,326	-	-	17,690,805
<i>Total capital assets being depreciated, net</i>					
	12,780,207	(596,135)	-	19,864,429	32,048,501
<b>Capital assets, net</b>	<b>\$ 27,379,466</b>	<b>\$ 10,377,981</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,757,447</b>

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**5. Capital Assets (continued):**

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
<i>Capital assets not being depreciated</i>					
Land	\$ 4,541,453	\$ -	\$ -	\$ -	\$ 4,541,453
Construction in progress	1,897,367	8,160,439	-	-	10,057,806
Total capital assets not being depreciated	6,438,820	8,160,439	-	-	14,599,259
<i>Capital assets being depreciated</i>					
Land improvements	572,712	-	-	-	572,712
Buildings and improvements	15,823,796	86,970	-	-	15,910,766
Equipment	11,684,318	349,890	-	-	12,034,208
Total capital assets being depreciated	28,080,826	436,860	-	-	28,517,686
<i>Less accumulated depreciation for</i>					
Land improvements	251,746	26,682	-	-	278,428
Buildings and improvements	5,313,494	638,684	-	-	5,952,178
Equipment	8,490,395	1,016,478	-	-	9,506,873
Total accumulated depreciation	14,055,635	1,681,844	-	-	15,737,479
<i>Total capital assets being depreciated, net</i>	14,025,191	(1,244,984)	-	-	12,780,207
<b>Capital assets, net</b>	<b>\$ 20,464,011</b>	<b>\$ 6,915,455</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,379,466</b>

Construction in progress as of December 31, 2021, is composed of costs related to a plan to construct a facility in Fraser. The project is estimated to cost approximately \$30 million and the estimated completion is February 2024.

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**6. Healthcare Self-insurance:**

The District partially self-insures the cost of employee healthcare benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$50,000 per claim. Liabilities on the statements of net position include an accrual for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors. The District's self-insurance is recorded in accrued compensation and related liabilities.

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

	<b>2021</b>	<b>2020</b>
Claim liability, beginning of year	\$ 299,451	\$ 563,441
Current year claims and changes in estimates	<b>3,109,281</b>	2,795,976
Claims payments	<b>(3,103,587)</b>	(3,059,966)
<b>Claim liability, end of year</b>	<b>\$ 305,145</b>	<b>\$ 299,451</b>

**7. Long-term Debt and Capital Lease Obligations:**

A schedule of changes in the District's long-term debt and capital lease obligations follows:

	<b>Balance</b>			<b>Balance</b>		<b>Amounts</b>
	<b>December 31,</b>			<b>December 31,</b>		<b>Due Within</b>
	<b>2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>2021</b>	<b>One Year</b>	
Series 2015 revenue bonds	\$ 21,979,871	\$ -	\$ (547,666)	\$ 21,432,205	\$	<b>479,072</b>
Note payable	2,500,000	-	-	2,500,000	\$	<b>2,500,000</b>
Construction loan payable	5,792,140	12,446,860	(18,239,000)	-	-	-
USDA Rev Bonds 2021A-1	-	9,500,000	-	9,500,000	-	<b>184,913</b>
USDA Rev Bonds 2021A-2	-	5,082,000	-	5,082,000	-	<b>98,919</b>
USDA Rev 2021B Note Colliers Mortgage LLC	-	3,657,000	-	3,657,000	-	<b>63,020</b>
Capital lease obligations	158,832	701,683	(182,161)	678,354	-	<b>222,535</b>
<b>Total long-term debt</b>	<b>\$ 30,430,843</b>	<b>\$ 31,387,543</b>	<b>\$ (18,968,827)</b>	<b>\$ 42,849,559</b>	<b>\$</b>	<b>3,548,459</b>

	<b>Balance</b>			<b>Balance</b>		<b>Amounts</b>
	<b>December 31,</b>			<b>December 31,</b>		<b>Due Within</b>
	<b>2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>2020</b>	<b>One Year</b>	
Series 2015 revenue bonds	\$ 22,343,279	\$ -	\$ (363,408)	\$ 21,979,871	\$	<b>547,666</b>
Note payable	2,500,000	-	-	2,500,000	-	-
Construction loan payable	-	5,792,140	-	5,792,140	-	-
Capital lease obligations	260,834	-	(102,002)	158,832	-	<b>86,895</b>
<b>Total long-term debt</b>	<b>\$ 25,104,113</b>	<b>\$ 5,792,140</b>	<b>\$ (465,410)</b>	<b>\$ 30,430,843</b>	<b>\$</b>	<b>634,561</b>

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**7. Long-term Debt and Capital Lease Obligations (continued):**

The terms and due dates of the District's long-term debt and capital lease obligations are as follows:

- Kremmling Memorial Hospital District Facilities Revenue Bonds Series 2015 (the 2015 Bonds), issued through the Rural Housing Service of the United States Department of Agriculture, in the original amount of \$24,000,000, dated November 2015. The 2015 Bonds are payable from the fees; rates and charges for services; programs; and facilities furnished by the District. The 2015 Bonds are payable in annual principal installments ranging from \$479,072 to \$1,126,393, plus interest of 3.25 percent through December 2050.  
  
The 2015 Bonds include financial covenants that must be complied with as a condition of the bonds. The District is required to submit audited financial statements within 150 days after the end of the fiscal year. The District did not meet this requirement in 2021.
- Note payable to Grand Mountain Bank, in the original amount of \$2,500,000, interest payments at 3.5 percent are due monthly through March 31, 2023. This note was issued for the purpose of financing the construction project until a construction loan was obtained (see Note 5).
- Construction loan payable to Western Alliance Business Trust, in the amount of \$18,239,000, interest payments at 3.18 percent are due monthly through August 2022. The USDA Direct and USDA Guaranteed Loans were used to refinance the construction loan when construction was completed.
- Kremmling Memorial Hospital District Hospital Facilities Revenue Bonds, Series 2021A (the 2021A Bonds), issued through the Rural Housing Service, U.S. Department of Agriculture, in the original amount of \$14,582,000, dated December 2021. The 2021A Bonds are payable from the fees: rates and charges for services; programs; and facilities furnished by the District. Payable in monthly principal installments ranging from \$23,423 to \$49,158, plus interest of 2.125 percent through December 2056.
- Kremmling Memorial Hospital District Hospital Facilities Revenue Note, Series 2021B (the 2021B Note), issued by Colliers Mortgage, LLC, in the original amount of \$3,657,000. The 2021B Note is guaranteed up to 90 percent by the United States, Department of Agriculture, Rural Development. The 2021B Note is payable in monthly installments of \$17,724, including principle and interest, through December 2051. The aggregate rate of the 2021B Note is 4.125 percent, comprised of split-interest rates as follows: the guaranteed portion of the 2021B Note bears an interest rate of 3.75 percent and the unguaranteed portion of the 2021B Note bears an interest rate of 7.50 percent.
- Capital lease obligations, at varying rates of imputed interest, ranging from 1.00 percent to 10.40 percent, collateralized by the related equipment with maturity dates ranging from 2022 to 2026.

The capital lease obligations are reflected in the District's assets and liabilities. The assets acquired under the capital leases had a capitalized cost of \$1,156,964 and \$455,331 as of December 31, 2021 and 2020, respectively, and accumulated amortization of \$438,899 and \$258,122 as of December 31, 2021 and 2020, respectively. Amortization expense is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Notes to Basic Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**7. Long-term Debt and Capital Lease Obligations (continued):**

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

Years Ending December 31,	Long-term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2022	\$ 3,325,924	\$ 1,199,875	\$ 222,535	\$ 11,187
2023	850,361	1,125,459	153,421	7,499
2024	873,291	1,102,529	156,118	4,744
2025	901,448	1,074,372	136,651	1,885
2026	928,225	1,047,595	9,629	71
2027-2031	5,070,584	4,808,515	-	-
2032-2036	5,875,186	4,003,912	-	-
2037-2041	6,817,653	3,061,447	-	-
2042-2046	7,916,471	1,962,628	-	-
2047-2051	6,811,243	735,498	-	-
2052-2056	2,800,819	156,459	-	-
	<b>\$ 42,171,205</b>	<b>\$ 20,278,289</b>	<b>\$ 678,354</b>	<b>\$ 25,386</b>

**8. Paycheck Protection Program Note Payable:**

In May 2020, the District was granted a loan from United Business Bank in the aggregate amount of \$2,534,874, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The District applied for PPP loan forgiveness in 2020. The loan was forgiven in February 2022 and will be recorded as a gain on forgiveness of Paycheck Protection Program loan in the statements of operations and changes in net assets for the year ending December 31, 2022.

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**9. Net Patient Service Revenue:**

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have decreased from the prior year due to the District fully allowing for a significant amount of self-pay accounts receivable in the prior year. These accounts were written off in 2021 with no net income effect. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources is as follows:

	<b>2021</b>	<b>2020</b>
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 13,608,642	\$ 12,174,732
Medicaid	3,143,194	2,687,339
Other third-party payors	21,612,492	19,140,596
Patients	4,081,085	4,775,476
Supplemental payments	4,046,167	4,255,677
	<b>46,491,580</b>	<b>43,033,820</b>
Less:		
Charity care	345,189	525,528
Provision for bad debts	2,075,183	4,377,142
<b>Net patient service revenue</b>	<b>\$ 44,071,208</b>	<b>\$ 38,131,150</b>

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

- *Medicare* – The District has been designated a critical access hospital and Kremmling Clinic, Granby Clinic, North Park Clinic, Grand Lake Clinic, and Winter Park Clinic as rural health clinics by Medicare, and are reimbursed for inpatient, outpatient, and clinic services on a cost basis as defined and limited by the Medicare program. The District is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule.

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**9. Net Patient Service Revenue (continued):**

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$143,000 and \$107,000 in the years ended December 31, 2021 and 2020, respectively, due to differences between original estimates and final settlements or revised estimates.

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

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2021 and 2020, were approximately \$183,000 and \$296,000, respectively. The District received no gifts or grants to subsidize the cost of caring for charity care patients in 2021 or 2020.

**10. Property Taxes:**

The Grand County Treasurer acts as an agent to assess and collect property taxes levied in the county for all taxing authorities. Property taxes are levied and assessed on December 22 of the prior year on property values assessed as of May 1 of the prior year. Taxes are due in two equal amounts by February 28 and June 15, or all may be paid by April 30. Taxes estimated to be collectible are recorded as revenue in the year of the levy by the District. The assessed property is subject to lien on the levy date, therefore no allowance for uncollectible taxes receivable is considered necessary at the statement of net position dates.

For 2021, the District's regular tax levy was \$7.045 per \$1,000 on a total assessed valuation of \$135,750,680, for a total regular levy of \$956,364. For 2020, the District's regular tax levy was \$7.045 per \$1,000 on a total assessed valuation of \$133,408,560, for a total regular levy of \$939,853.

The District paid \$47,718 and \$53,739 in 2021 and 2020, respectively, to the Grand County Treasurer for assessment and collection of the tax levy.

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**11. CARES Act Provider Relief Fund:**

The District received \$907,542 and \$4,633,857, of funding from the CARES Act Provider Relief Fund in the years ended December 31, 2021 and 2020, respectively. These funds are required to be used to reimburse the District for healthcare-related expenses or lost revenues that are attributable to coronavirus. During the years ended December 31, 2021 and 2020, the District recognized \$-0- and \$4,633,857 of grant revenue from these funds, respectively. The District had \$907,542 of remaining funds as of December 31, 2021, to use for healthcare-related expenses attributable to the coronavirus in the next fiscal year.

**12. Deferred Compensation Plans:**

The District sponsors the MPMC 457 Plan (the 457 Plan), a defined contribution pension plan for its full-time employees over age 18. The 457 Plan is administered by the District. Benefit terms, including contribution requirements, for the 457 Plan are established and may be amended by the District. The District is not required to contribute to the 457 Plan. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. Employee contributions to the 457 Plan were approximately \$921,000 and \$827,000 for the years ended December 31, 2021 and 2020, respectively.

The District also sponsors the MPMC 401(a) Plan (the 401(a) Plan). This defined contribution plan covers all employees. Employees do not contribute to this plan. The District contributes to the 401(a) Plan on a discretionary basis. The District contributions to the 401(a) Plan during the years ended December 31, 2021 and 2020, were approximately \$387,000 and \$344,000, respectively. The 401(a) Plan is administered by the District. Benefit terms, including contribution requirements, for the 401(a) Plan are established and may be amended by the District.

Employees' voluntary contributions and employer contributions are 100 percent vested. The District had a liability due to the 401(a) Plan and 457 Plan in the amounts of approximately \$198,000 and \$170,000 at December 31, 2021 and 2020, respectively.

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**13. Contingencies and Commitments:**

***Commitment*** – In September 2016, the District entered into an information services agreement with Centura Health. The agreement automatically renewed for three years during 2021. The estimated future commitment for software upgrades and support is approximately \$475,000 through 2024. The agreement may be terminated with a 365-day written notice.

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

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

***Industry regulations*** – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

***Tax, spending, and debt limitations*** – At the November 3, 1992, general election, Colorado voters approved an amendment to the Colorado Constitution, Article X, Section 20, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR was effective December 31, 1992, and its provisions limit government taxes, spending revenues, and debt without electoral approval.

TABOR, by its terms, applies to local governments such as special districts but excludes “enterprises,” which are defined as (1) a government owned business, (2) authorized to issue its own debt, and (3) receives less than 10 percent of its annual revenue in grants from all state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR’s language in order to determine its compliance.

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

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Notes to Basic Financial Statements (Continued)  
Years Ended December 31, 2021 and 2020**

**14. Concentration of Credit Risk:**

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

	<b>2021</b>	<b>2020</b>
Medicare	27 %	22 %
Medicaid	17	7
Other third-party payors	33	32
Patients	23	39
	<b>100 %</b>	<b>100 %</b>

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

**15. Budget and Actual Revenues and Expenses:**

The District overspent its approved budget by \$2,089,822 in 2021.

**SINGLE AUDIT**

**AUDITORS' SECTION**



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

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

Board of Directors  
Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Kremmling, 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 Kremmling Memorial Hospital District doing business as Middle Park Health (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 17, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of audit findings and questioned costs that we consider to be a material weakness (2021-001).

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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*.

### **The District's Response to the Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 17, 2022



**DINGUS | ZARECOR & ASSOCIATES PLLC**  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Kremmling, Colorado

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Kremmling Memorial Hospital District doing business as Middle Park Health's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
June 17, 2022

**Kremmling Memorial Hospital District  
 doing business as Middle Park Health  
 Schedule of Audit Findings and Questioned Costs  
 Year Ended December 31, 2021**

**Section I – Summary of Auditors’ Results**

**Financial Statements:**

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards:**

Internal control over major federal programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   none reported

Type of auditors’ report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        yes   X   no

**Identification of major federal programs:**

<i>Assistance Listing Numbers(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        yes   X   no

**Kremmling Memorial Hospital District  
 doing business as Middle Park Health  
 Schedule of Audit Findings and Questioned Costs (Continued)  
 Year Ended December 31, 2021**

**Section II – Financial Statement Findings**

**2021-001 Auditor Detected Adjusting Journal Entries**

<b>Criteria</b>	<p>[ ] Compliance Finding [ ] Significant Deficiency [X] Material Weakness</p> <p>No significant or material adjusting journal entries should be detected by auditors during the audit process.</p>
<b>Condition</b>	<p>Audit adjustments were proposed to correct cash, taxes receivable, accounts receivable, inventory, capital assets, deferred inflows of resources, interest payable, long-term debt, and accrued compensation, resulting in an aggregate material misstatement in the District’s financial statements.</p>
<b>Context</b>	<p>The finding appears to be a <i>systemic</i> incident.</p>
<b>Effect</b>	<p>Financial reports may be inaccurate and could affect management and Board decision making.</p>
<b>Cause</b>	<p>Several account reconciliations were not accurately prepared at fiscal year end.</p>
<b>Recommendation</b>	<p>We recommend adequate account reconciliations be performed timely to ensure financial statements presented to management and the Board are accurate.</p>
<b>Views of responsible officials and planned corrective action.</b>	<p>The new accounting software has enabled the district the ability to close the month quicker than in prior years. The district struggled in 2021 to receive reports to reconcile accounts. There needs to be continued training from Centura to MPH staff.</p> <p>Responsibilities were not shifted off the senior staff accountant until late 2021, early 2022. There were several high priority projects that were instructed to be the priority for this position. This delay did not allow enough time to properly close the month resulting in adjusting journal entries.</p> <p>The district continues to expand their finance team. An onsite CFO was added in May of 2022. They will work directly with accounting personnel to ensure they are given the time to prioritize the month end reconciliation. The CFO and Senior Accountant will meet monthly to review reconciliations and sign off on monthly journal entries.</p> <p>The fixed assets process was reviewed by Senior Staff Accountant and Centura. Time did not allow staff accountant to enter fixed assets into Lawson, as this is a manual process. Starting in July of 2022, accounts payable staff will enter fixed assets into Lawson with a completion of October 1, 2022.</p>

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Schedule of Audit Findings and Questioned Costs (Continued)  
Year Ended December 31, 2021**

**Section III – Federal Award Findings and Questioned Costs**

There are no matters reported for 2021. Therefore, no corrective action plan is necessary, nor has one been prepared.

**AUDITEE'S SECTION**

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Community Facilities Loans and Grants	10.766			\$ 18,239,000
Total U.S. Department of Agriculture				18,239,000
<b>U.S. Department of Health and Human Services Direct Programs</b>				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	4,386,549
COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461		COVID-19	17,477
Total U.S. Department of Health and Human Services				4,404,026
<b>Total expenditures of federal awards</b>				<b>\$ 22,643,026</b>

*See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.*

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Kremmling Memorial Hospital District doing business as Middle Park Health (the District) under programs of the federal government for the year ended December 31, 2021. Amounts reported for Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based on the June 30, 2021, Provider Relief Fund report. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**2. Summary of Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

**3. Loan Guarantee:**

Included in the accompanying schedule of expenditures of federal awards are funds spent on the remodel of hospital facilities in Kremmling, expansion of hospital facilities in Granby, and construction of a clinic in Fraser. The United States Department of Agriculture (USDA) funded this project by providing a \$14,582,000 revenue bond and guaranteeing 90 percent of a \$3,657,000 revenue note issued by Colliers Mortgage, LLC.

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Corrective Action Plan  
Year Ended December 31, 2021**

The current year Schedule of Audit Findings and Questioned Costs reported one matter in Section II – Financial Statement Findings.

**Current year audit findings:**

2021-001                      Auditor Detected Adjusting Journal Entries

*Corrective action planned:*                      The district will prioritize the reconciliation and month end process for the Staff Accountant. There will be a review process beginning with June 2022 with the CFO and Senior Staff Accountant. They will work together to identify any areas of concern and address how these need to be corrected going forward. This will ensure there are no audit adjustments in 2022.

*Anticipated completion date:*                      10/1/2021 fourth quarter

*Contact person responsible for corrective action:*                      Emily Ebert, CFO & Mikealena Horner, Director of Finance

**Kremmling Memorial Hospital District  
doing business as Middle Park Health  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2021**

**2020-001 Auditor Detected Journal Entries – Repeated as 2021-001**

**SUPPLEMENTARY INFORMATION**

**Kremmling Memorial Hospital District**  
**doing business as Middle Park Health**  
**Schedule of Budget and Actual Revenues and Expenses**  
**Year Ended December 31, 2021**

	2021	Preliminary and Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 44,071,208	\$ 40,433,578	\$ 3,637,630
Grants	-	50,000	(50,000)
Other	335,626	832,000	(496,374)
<b>Total operating revenues</b>	<b>44,406,834</b>	<b>41,315,578</b>	<b>3,091,256</b>
<i>Operating expenses</i>			
Salaries and wages	18,910,974	17,713,919	(1,197,055)
Employee benefits	4,976,092	4,970,182	(5,910)
Professional fees and other purchased services	6,351,689	5,893,153	(458,536)
Supplies	3,380,270	3,422,250	41,980
Depreciation and amortization	1,953,326	2,471,240	517,914
Insurance	288,449	150,000	(138,449)
Utilities	533,676	465,658	(68,018)
Repairs and maintenance	177,598	174,600	(2,998)
Leases and rentals	429,052	395,773	(33,279)
Provider fees	979,787	-	(979,787)
Other	576,673	938,546	361,873
<b>Total operating expenses</b>	<b>38,557,586</b>	<b>36,595,321</b>	<b>(1,962,265)</b>
<i>Operating income</i>	<b>5,849,248</b>	<b>4,720,257</b>	<b>1,128,991</b>
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	1,034,833	950,000	84,833
Bond issuance costs	(605,904)	-	(605,904)
Interest income	18,525	-	18,525
Interest expense	(1,173,721)	(1,512,000)	338,279
<b>Total nonoperating revenues, net</b>	<b>(726,267)</b>	<b>(562,000)</b>	<b>(164,267)</b>
<b>Change in net position</b>	<b>\$ 5,122,981</b>	<b>\$ 4,158,257</b>	<b>\$ 964,724</b>

*See accompanying independent auditors' report.*