

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

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2022 and 2021



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
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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, 2022 and 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.

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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 May 16, 2023, 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, 2022. We issued a similar report for the year ended December 31, 2021, dated June 17, 2022, which has not been included with the 2022 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
May 16, 2023

Kremmling Memorial Hospital District
doing business as Middle Park Health
Statements of Net Position
December 31, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
<i>Current assets</i>		
Cash and cash equivalents	\$ 17,758,144	\$ 18,564,821
Receivables:		
Patient accounts, net of estimated uncollectibles	9,726,969	8,461,927
Property taxes	968,071	968,369
Estimated third-party payor settlements	1,872,685	1,221,539
Stop loss insurance	1,145,056	-
Other	81,218	416,218
Inventories	1,002,587	1,114,600
Prepaid expenses and other current assets	294,533	319,735
Total current assets	32,849,263	31,067,209
<i>Noncurrent assets</i>		
Cash and cash equivalents, restricted for debt reserve	3,757,115	3,378,600
Capital assets, net	39,151,320	37,757,447
Total noncurrent assets	42,908,435	41,136,047
Total assets	75,757,698	72,203,256
<i>Deferred outflows of resources, deferred charge on debt refunding</i>	567,123	588,063
Total assets and deferred outflows of resources	\$ 76,324,821	\$ 72,791,319

See accompanying notes to basic financial statements.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Statements of Net Position (Continued)
December 31, 2022 and 2021**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2022	2021
<i>Current liabilities</i>		
Accounts payable	\$ 2,499,723	\$ 769,718
Capital accounts payable	353,619	-
Accrued compensation and related liabilities	2,490,272	2,090,808
Current maturities of long-term debt	3,343,235	3,325,924
Current maturities of lease liability	485,729	222,535
Unearned CARES Act Provider Relief Fund and other COVID-19 grants	-	907,542
Medicare accelerated payments payable	-	2,655,959
Patient refunds payable	525,813	-
Interest payable	71,428	72,517
Estimated third-party payor settlements	484,638	546,638
Total current liabilities	10,254,457	10,591,641
<i>Noncurrent liabilities</i>		
Long-term debt and lease liabilities, net of current maturities	39,565,543	39,301,100
Paycheck Protection Program loan	-	2,534,874
Total noncurrent liabilities	39,565,543	41,835,974
Total liabilities	49,820,000	52,427,615
<i>Deferred inflows of resources, property tax levy</i>	983,746	968,369
Total liabilities and deferred inflows of resources	50,803,746	53,395,984
<i>Net position</i>		
Net investment in capital assets	(4,101,111)	(4,576,566)
Unrestricted	25,865,071	20,182,651
Restricted	3,757,115	3,789,250
Total net position	25,521,075	19,395,335
Total liabilities, deferred inflows of resources, and net position	\$ 76,324,821	\$ 72,791,319

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, 2022 and 2021

	2022	2021
<i>Operating revenues</i>		
Net patient service revenue	\$ 50,020,354	\$ 44,071,208
Other	278,700	335,626
Total operating revenues	50,299,054	44,406,834
<i>Operating expenses</i>		
Salaries and wages	21,274,977	18,910,974
Employee benefits	6,088,590	4,976,092
Professional fees and other purchased services	10,397,438	6,351,689
Supplies	5,027,020	3,380,270
Depreciation and amortization	2,143,881	1,953,326
Insurance	300,755	288,449
Utilities	611,144	533,676
Repairs and maintenance	125,337	177,598
Leases and rentals	444,163	429,052
Provider fees	1,269,540	979,787
Other	724,603	576,673
Total operating expenses	48,407,448	38,557,586
<i>Operating income</i>	1,891,606	5,849,248
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	1,032,530	1,034,833
CARES Act Provider Relief Fund and other COVID-19 grants	1,969,812	-
Interest income	27,191	18,525
Bond issuance costs	-	(605,904)
Interest expense	(1,330,273)	(1,173,721)
Total nonoperating revenues (expenses)	1,699,260	(726,267)
Change in net position before gain on forgiveness of Paycheck Protection Program loan	3,590,866	5,122,981
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,534,874	-
Change in net position	6,125,740	5,122,981
Net position, beginning of year	19,395,335	14,272,354
Net position, end of year	\$ 25,521,075	\$ 19,395,335

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, 2022 and 2021

	2022	2021
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Cash received from and on behalf of patients	\$ 48,567,979	\$ 42,036,213
Cash received from other revenue	613,700	493,056
Payments to and on behalf of employees	(28,109,159)	(23,597,888)
Payments to suppliers and contractors	(17,032,780)	(13,541,736)
Net cash from operating activities	4,039,740	5,389,645
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	1,048,205	1,037,491
Proceeds from CARES Act Provider Relief Fund and other COVID-19 grants	1,062,270	907,542
Repayments of Medicare accelerated payments	(2,655,959)	(1,636,786)
Net cash from noncapital financing activities	(545,484)	308,247
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(1,456,392)	(13,054,911)
Principal paid on lease liabilities	(360,089)	(182,161)
Principal paid on long-term debt	(822,706)	(547,666)
Interest paid on long-term debt and lease liabilities	(1,310,422)	(1,305,009)
Payments for debt issuance costs	-	(605,904)
Proceeds from the issuance of long-term debt	-	12,446,860
Net cash from capital and related financing activities	(3,949,609)	(3,248,791)
<i>Cash flows from investing activities</i>		
Interest income	27,191	18,525
Net increase in cash and cash equivalents	(428,162)	2,467,626
Cash and cash equivalents, beginning of year	21,943,421	19,475,795
Cash and cash equivalents, end of year	\$ 21,515,259	\$ 21,943,421

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, 2022 and 2021

	2022	2021
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 17,758,144	\$ 18,564,821
Cash and cash equivalents, restricted for debt reserve	3,757,115	3,378,600
Total cash and cash equivalents	\$ 21,515,259	\$ 21,943,421
<i>Reconciliation of Operating Income to Net Cash from by Operating Activities</i>		
Operating income	\$ 1,891,606	\$ 5,849,248
<i>Adjustments to reconcile operating income to net cash from by operating activities:</i>		
Depreciation and amortization	2,143,881	1,953,326
Provision for bad debts	3,158,601	2,075,183
(Increase) decrease in assets:		
Receivables:		
Patient accounts receivable, net	(4,423,643)	(4,573,534)
Estimated third-party payor settlements	(651,146)	466,461
Other	335,000	157,430
Stop loss receivable	(1,145,056)	-
Inventories	112,013	(274,619)
Prepaid expenses and other current assets	25,202	(21,734)
Increase (decrease) in liabilities:		
Accounts payable	1,730,005	(528,189)
Accrued compensation and related liabilities	399,464	289,178
Patient refunds payable	525,813	(549,743)
Estimated third-party payor settlements	(62,000)	546,638
Net cash from operating activities	\$ 4,039,740	\$ 5,389,645

Noncash capital financing activities

During the year ended December 31, 2022, the District recorded \$1,727,743 of right-of-use assets and lease liabilities from the implementation of Governmental Accounting Standards Board Statement No. 87.

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, 2022 and 2021**

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 an 18-bed critical care hospital, located in Kremmling, Colorado; a 7-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.

Cash and cash equivalents, restricted for debt reserve – Cash and cash equivalents, restricted for debt reserve include assets held by the trustee under indenture agreement for debt reserve requirements.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

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

b. Summary of Significant Accounting Policies (continued)

Capital and right-of-use 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. Lease right-of-use assets 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
Lease right-of-use assets – equipment	3 to 10 years
Lease right-of-use assets – building	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, 2022 and 2021**

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.

Change in accounting principle – In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. 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 District adopted Statement No. 87 during the year ended December 31, 2022. See Note 6 for additional information on the leases and related right-of-use assets recorded by the District.

When the District adopted GASB No. 87 *Leases*, the District elected the transition option to apply new guidance as of that effective date without adjusting comparative periods presented due to insufficient resources available to do so and due to management’s determination that the restatement would not provide significant benefit to the financial statement users.

Adoption of the standard required the District to recognize lease liabilities and lease right-of-use assets totaling \$1,727,743 as of January 1, 2022. The adoption had no material impact on the statement of revenues, expenses, and changes in net position.

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

Subsequent events – The District has evaluated subsequent events and transactions through May 16, 2023, 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, 2022 and 2021**

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, 2022 and 2021.

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 has not significantly changed from the prior year. 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, 2022 and 2021**

3. Patient Accounts Receivable (continued):

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

	2022	2021
Receivable from patients and their insurance carriers	\$ 10,020,299	\$ 7,593,264
Receivable from Medicare	1,595,294	2,481,771
Receivable from Medicaid	1,146,706	1,019,759
Total patient accounts receivable	12,762,299	11,094,794
Less allowance for uncollectible accounts	(3,035,330)	(2,632,867)
Patient accounts receivable, net	\$ 9,726,969	\$ 8,461,927

4. Capital Assets:

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

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
<i>Capital assets not being depreciated</i>					
Land	\$ 4,541,453	\$ -	\$ -	\$ -	\$ 4,541,453
Construction in progress	1,167,493	674,711	(127,557)	-	1,714,647
Total capital assets not being depreciated	5,708,946	674,711	(127,557)	-	6,256,100
<i>Capital assets being depreciated or amortized</i>					
Land improvements	654,453	-	-	-	654,453
Buildings and improvements	35,377,477	592,778	(27,026)	-	35,943,229
Equipment	13,707,376	670,079	(1,083,181)	(777,514)	12,516,760
Leased right-of-use buildings	-	404,764	-	-	404,764
Leased right-of-use equipment	-	1,322,979	-	777,514	2,100,493
Total capital assets being depreciated or amortized	49,739,306	2,990,600	(1,110,207)	-	51,619,699
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	319,098	55,847	-	-	374,945
Buildings and improvements	6,609,787	1,018,781	(27,026)	-	7,601,542
Equipment	10,761,920	745,000	(1,083,181)	(140,499)	10,283,240
Leased right-of-use buildings	-	72,117	-	-	72,117
Leased right-of-use equipment	-	252,136	-	140,499	392,635
Total accumulated depreciation and amortization	17,690,805	2,143,881	(1,110,207)	-	18,724,479
Total capital assets being depreciated and amortized, net	32,048,501	846,719	-	-	32,895,220
Capital assets, net	\$ 37,757,447	\$ 1,521,430	\$ (127,557)	\$ -	\$ 39,151,320

Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

4. Capital Assets (continued):

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
<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
Capital assets, net	\$ 27,379,466	\$ 10,377,981	\$ -	\$ -	\$ 37,757,447

Construction in progress as of December 31, 2022, is composed of costs related to a plan to construct a facility expansion in Fraser, Colorado. The project is estimated to cost approximately \$35,000,000 and the estimated completion is 18 months from the date financing is secured.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

5. 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:

	2022	2021
Claim liability, beginning of year	\$ 305,145	\$ 299,451
Current year claims and changes in estimates	4,355,592	3,109,281
Claims payments	(3,851,990)	(3,103,587)
Claim liability, end of year	\$ 808,747	\$ 305,145

6. Long-term Debt and Lease Liabilities:

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

	Balance December 31, 2021			Balance December 31, 2022		Amounts Due Within One Year
	Balance	Additions	Reductions	Balance	Balance	Amounts Due Within One Year
Series 2015 revenue bonds	\$ 21,432,205	\$ -	\$ (475,854)	\$ 20,956,351	\$ 487,643	\$ 487,643
Note payable	2,500,000	-	-	2,500,000	2,500,000	2,500,000
USDA Rev Bonds 2021A-1	9,500,000	-	(184,913)	9,315,087	188,881	188,881
USDA Rev Bonds 2021A-2	5,082,000	-	(98,919)	4,983,081	101,041	101,041
USDA Rev 2021B Note Colliers Mortgage LLC	3,657,000	-	(63,020)	3,593,980	65,670	65,670
Lease liabilities	678,354	1,727,743	(360,089)	2,046,008	485,729	485,729
Total long-term debt and lease liabilities	\$ 42,849,559	\$ 1,727,743	\$ (1,182,795)	\$ 43,394,507	\$ 3,828,964	\$ 3,828,964

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

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

6. Long-term Debt and Lease Liabilities (continued):

Long-term debt – The terms and due dates of the District’s long-term debt 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 \$494,769 to \$1,126,393, plus interest of 3.25 percent through December 2050.
- 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). The note is secured by a certificate of deposit.
- 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 principal 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.

Lease liabilities – The terms and due dates of the District’s lease liabilities are as follows:

- Lease liability payable to First American Commercial Bankcorp, Inc., for two CT scanners in the amount of \$868,000, due in monthly installments of \$16,789, including interest at 5.92 percent, through August 2027.
- Other lease liabilities payable to various lenders in the amount of \$1,466,160, due in monthly installments between \$797 and \$7,317, including interest from 2.45 percent to 7.23 percent, through December 2031.

The District’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

6. Long-term Debt and Lease Liabilities (continued):

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

Years Ending December 31,	Long-term Debt		Lease Liabilities	
	Principal	Interest	Principal	Interest
2023	\$ 3,350,361	\$ 1,191,146	\$ 485,729	\$ 90,429
2024	873,291	1,116,888	494,353	68,553
2025	901,448	1,092,904	471,930	45,551
2026	946,079	1,064,884	341,570	23,303
2027	955,832	1,019,988	174,896	6,012
2028-2032	5,220,220	4,658,879	77,530	4,899
2033-2037	6,026,533	3,825,565	-	-
2038-2042	7,023,886	2,855,212	-	-
2043-2047	8,157,475	1,721,624	-	-
2048-2052	5,616,824	545,553	-	-
2053-2057	2,276,549	101,637	-	-
	\$ 41,348,499	\$ 19,194,279	\$ 2,046,008	\$ 238,747

7. 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 was recorded as a gain on forgiveness of Paycheck Protection Program loan in the statement of revenue, expenses, and changes in net position in the year ended December 31, 2022.

Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

8. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have increased from the prior year due to a decrease in bad debt recoveries of self-pay accounts receivable compared to the prior year. 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:

	2022	2021
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 16,207,616	\$ 13,608,642
Medicaid	3,591,572	3,143,194
Other third-party payors	24,897,844	21,612,492
Patients	4,236,827	4,081,085
Supplemental payments	4,709,081	4,046,167
	53,642,940	46,491,580
Less:		
Charity care	463,985	345,189
Provision for bad debts	3,158,601	2,075,183
Net patient service revenue	\$ 50,020,354	\$ 44,071,208

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, 2022 and 2021**

8. 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 \$306,000 and \$143,000 in the years ended December 31, 2022 and 2021, 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, 2022 and 2021, were approximately \$273,000 and \$183,000, respectively. The District received no gifts or grants to subsidize the cost of caring for charity care patients in 2022 or 2021.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

9. 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 2022, the District's regular tax levy was \$7.045 per \$1,000 on a total assessed valuation of \$137,454,795, for a total regular levy of \$968,369. 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.

The District paid \$48,461 and \$47,718 in 2022 and 2021, respectively, to the Grand County Treasurer for assessment and collection of the tax levy.

10. CARES Act Provider Relief Fund:

The District received \$1,062,270 and \$907,542, of funding from the CARES Act Provider Relief Fund in the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the District recognized \$1,969,812 and \$-0- of grant revenue from these funds, respectively. The District had \$-0- of remaining funds as of December 31, 2022, to use for healthcare-related expenses attributable to the coronavirus in the next fiscal year.

11. 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 \$1,042,000 and \$921,000 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, were approximately \$432,000 and \$387,000, 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 \$163,000 and \$198,000 at December 31, 2022 and 2021, respectively.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Notes to Basic Financial Statements (Continued)
Years Ended December 31, 2022 and 2021**

12. 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.

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, 2022 and 2021

13. 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:

	2022	2021
Medicare	18 %	27 %
Medicaid	22	17
Other third-party payors	32	33
Patients	28	23
	100 %	100 %

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

14. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by \$5,454,484 in 2022.

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, 2022, 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 May 16, 2023.

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. 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.

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*.

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
May 16, 2023



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 the Major Federal Program

Opinion on the 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 the District's major federal program for the year ended December 31, 2022. The District's major federal program is 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 its major federal program for the year ended December 31, 2022.

Basis for Opinion on the 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item (2022-001). Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item (2022-001) to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
May 16, 2023

**Kremmling Memorial Hospital District
 doing business as Middle Park Health
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no
 ___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards:

Internal control over major federal program:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no
X yes ___ none reported

Type of auditors’ report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with 2 CFR 200.516(a)?

X yes ___ no

Identification of major federal program:

Assistance Listing Number

Name of Federal Program or Cluster

10.766

Community Facilities Loans and Grants

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, 2022**

Section II – Financial Statement Findings

No matters were reported for 2022. Therefore, no corrective action plan is necessary, nor has one been prepared.

**Kremmling Memorial Hospital District
 doing business as Middle Park Health
 Schedule of Audit Findings and Questioned Costs (Continued)
 Year Ended December 31, 2022**

Section III – Federal Award Findings and Questioned Costs

2022-001 Reporting and Written Policies and Procedures

Program Information:

Federal Agency United States Department of Agriculture
Assistance 10.766 – Community Facilities Loans and Grants Cluster
Listing Number
Criteria [X] Compliance Finding [X] Significant Deficiency [] Material Weakness

Under the terms and conditions of the award, the recipient certifies it will provide quarterly financial information, the annual budget, and annual financial statements to the United States Department of Agriculture. The recipient also needs to maintain written policies and procedures for reporting required under the United States Department of Agriculture loan program and for reporting required under all federal awards received.

Condition The District did not submit the quarterly reports or annual budget for 2022 to the United States Department of Agriculture.

Context This finding appears to be a *systemic* problem.

Cause The District did not have written policies or procedures in place for the required reporting.

Effect The District is out of compliance with the terms and conditions of the award.

Recommendation We recommend management implement written policies and procedures for reporting required under the United States Department of Agriculture loan program and all federal awards received as well as provide the required reports on a timely basis to all respective parties.

View of responsible officials and planned corrective actions Middle Park Health (MPH) management agrees that quarterly financial reporting to USDA as required did not occur in 2022. Turnover in finance leadership during 2022 contributed to this oversight among other factors. At no point did MPH receive communication from USDA surrounding lack of compliance with this requirement. Upon discovering this weakness, MPH promptly implemented corrective action. Reminders have been set following the approval of each quarter’s financial statements by the Board of Directors to submit quarterly financial reports to USDA contacts. The first set of quarterly financials for 2023 were submitted to the USDA on April 28, 2023, and USDA confirmed receipt of these documents as well as confirming that the distribution list used by MPH for this submission was appropriate. MPH does not anticipate further noncompliance with this requirement. MPH will also develop written policies and procedures for the required reporting.

AUDITEE'S SECTION

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Additional Award Identification	Total Federal Expenditures
U.S. Department of Agriculture Direct Program:				
<i>Community Facilities Loans and Grants Cluster</i>				
Community Facilities Loans and Grants	10.766			\$ 39,305,505
Total U.S. Department of Agriculture Direct Program				39,305,505
U.S. Department of Health and Human Services Direct Programs:				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		COVID-19	407,542
Rural Health Clinic COVID-19 Testing and Mitigation Program	93.697		COVID-19	500,000
Rural Health Clinic Vaccine Confidence Program	93.912		COVID-19	145,348
Total U.S. Department of Health and Human Services Direct Programs				1,052,890
U.S. Department of Health and Human Services Pass-through Programs:				
<i>Colorado Rural Health Center</i>				
Small Rural Hospital Improvement Grant Program	93.301	Not available		3,652
Rural Health Research Centers	93.155	H3LRH42218-01-00	COVID-19	224,675
Total U.S. Department of Health and Human Services Pass-through Programs				228,327
Total expenditures of federal awards				\$ 40,586,722

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

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, 2022. Amounts reported for Federal Assistance Listing Number 93.498 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution are based on the December 31, 2022, 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.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2022**

Notes to the Schedule of Expenditures of Federal Awards (continued)

3. Direct Loans and Loan Guarantee:

Direct loans and loan guarantee outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Nonmonetary assistance in the form of a loan guarantee is included in the Schedule. The related loan balances of the direct loans at December 31, 2022 was \$35,254,519. The loan guarantee balance at December 31, 2022, was \$3,593,980, of which \$3,234,582 (90 percent) is guaranteed.

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Corrective Action Plan
Year Ended December 31, 2022**

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

Current year audit findings:

2021-001 Reporting and Written Policies and Procedures

Corrective action planned: Middle Park Health (MPH) management agrees that quarterly financial reporting to USDA as required did not occur in 2022. Turnover in finance leadership during 2022 contributed to this oversight among other factors. At no point did MPH receive communication from USDA surrounding lack of compliance with this requirement. Upon discovering this weakness, MPH promptly implemented corrective action. Reminders have been set following the approval of each quarter’s financial statements by the Board of Directors to submit quarterly financial reports to USDA contacts. The first set of quarterly financials for 2023 were submitted to the USDA on April 28, 2023, and USDA confirmed receipt of these documents as well as confirming that the distribution list used by MPH for this submission was appropriate. MPH does not anticipate further noncompliance with this requirement. MPH will also develop written policies and procedures for the required reporting.

Anticipated completion date: April 27, 2023

Contact person responsible for corrective action: Emily Ebert, CFO & Mikealena Horner, Accountant

**Kremmling Memorial Hospital District
doing business as Middle Park Health
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022**

2021-001 Auditor Detected Journal Entries – Resolved in fiscal year 2022.

SUPPLEMENTARY INFORMATION

Kremmling Memorial Hospital District
doing business as Middle Park Health
Schedule of Budget and Actual Revenues and Expenses
Year Ended December 31, 2022

	2022	Preliminary and Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 50,020,354	\$ 45,939,723	\$ 4,080,631
Grants	-	407,000	(407,000)
Other	278,700	210,000	68,700
Total operating revenues	50,299,054	46,556,723	3,742,331
<i>Operating expenses</i>			
Salaries and wages	21,274,977	20,879,216	(395,761)
Employee benefits	6,088,590	6,126,861	38,271
Professional fees and other purchased services	10,397,438	6,260,463	(4,136,975)
Supplies	5,027,020	3,704,693	(1,322,327)
Depreciation and amortization	2,143,881	2,777,000	633,119
Insurance	300,755	150,000	(150,755)
Utilities	611,144	485,500	(125,644)
Repairs and maintenance	125,337	179,700	54,363
Leases and rentals	444,163	466,509	22,346
Provider fees	1,269,540	812,160	(457,380)
Other	724,603	1,110,862	386,259
Total operating expenses	48,407,448	42,952,964	(5,454,484)
<i>Operating income</i>	1,891,606	3,603,759	(1,712,153)
<i>Nonoperating revenues (expenses)</i>			
Taxation for operations	1,032,530	975,000	57,530
CARES Act Provider Relief Fund and other COVID-19 grants	1,969,812	-	1,969,812
Interest income	27,191	-	27,191
Interest expense	(1,330,273)	(1,642,000)	311,727
Total nonoperating expenses, net	1,699,260	(667,000)	2,366,260
Change in net position before gain on forgiveness of Paycheck Protection Program loan	3,590,866	2,936,759	654,107
<i>Gain on forgiveness of Paycheck Protection Program loan</i>	2,534,874	-	2,534,874
Change in net position	\$ 6,125,740	\$ 2,936,759	\$ 3,188,981

See accompanying independent auditors' report.