



Management's Discussion and Analysis  
and Financial Statements  
December 31, 2022 and 2021

# Park Hospital District dba Estes Park Health

Park Hospital District dba Estes Park Health

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December 31, 2022 and 2021

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Park Hospital District dba Estes Park Health (Medical Center), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and statements of cash flows, and the statements of financial position and related statements of activities of its discretely presented component unit Estes Park Medical Center Foundation dba Estes Park Health Foundation, as of and for the years then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of December 31, 2022 and 2021, and the respective 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Governmental Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center 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.

#### ***Adoption of New Accounting Standard***

As discussed in Note 11 to the financial statements, the Medical Center has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2021. Accordingly, a restatement has been made to the Medical Center's net position as of January 1, 2021 to restate beginning net position. 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 these 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 Medical Center'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.

### ***Auditor's 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 auditor's 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 *Governmental 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 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 *Governmental 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 Medical Center'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 Medical Center'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***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, and the budget to actual schedule on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Denver, Colorado  
May 25, 2023

Our discussion and analysis for Estes Park Health (Medical Center) provides an overview of the Medical Center's financial activities for the fiscal years ended December 31, 2022, 2021, and 2020. Please read it in conjunction with the Medical Center's financial statements, which begin on page 10.

### **Using This Annual Report**

The Medical Center's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Medical Center including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation. The 2020 financial information contained herein has not been restated for the adoption of GASB Statement 87, *Leases* (GASB 87), disclosed in Note 11 to the financial statements because of the two-year presentation of the basic financial statements.

### **The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Medical Center's net position and changes in them. You can think of the Medical Center's net position, the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources as one way to measure the Medical Center's financial health, or financial position. Over time, increases or decreases in the Medical Center's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Medical Center's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Medical Center.

### The Statement of Cash Flows

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

### Financial Highlights

Significant financial changes, which are explained in subsequent sections of Management's Discussion and Analysis, for the years ended December 31, 2022 and 2021 are as follows:

| Year ended                                    | December 31, 2022 |         | December 31, 2021 |         |
|---|-------------------|---------|-------------------|---------|
| Change in operating revenues                  | \$ 1,048,691      | 2.0%    | \$ 3,640,928      | 7.6%    |
| Change in operating expenses                  | 7,249,867         | 12.8%   | 1,315,527         | 2.4%    |
| Change in operating loss                      | (6,201,176)       | 130.3%  | 2,325,401         | -32.8%  |
| Change in nonoperating<br>revenues (expenses) | (11,845,610)      | -83.2%  | 10,655,838        | 298.2%  |
| Change in change in net position              | (17,679,592)      | -183.3% | 12,633,383        | -422.7% |

**The Medical Center's Net Position**

The Medical Center's net position is the difference between its assets, deferred outflow of resources, liabilities and deferred inflow of resources in the Statement of Net Position on pages 10 and 11.

|  | <u>2022</u>          | <u>2021</u><br>(restated) | <u>2020</u><br>(***) |
|--|----------------------|---------------------------|----------------------|
| Assets and Deferred Outflow of Resources                           |                      |                           |                      |
| Current assets   | \$ 18,423,243        | \$ 29,358,184             | \$ 29,895,515        |
| Other noncurrent assets  | 13,533,434           | 14,306,607                | 14,379,177           |
| Capital assets, net  | <u>36,087,895</u>    | <u>37,725,770</u>         | <u>32,139,581</u>    |
| Total assets   | <u>\$ 68,044,572</u> | <u>\$ 81,390,561</u>      | <u>\$ 76,414,273</u> |
| Liabilities and Deferred Inflows of Resources                      |                      |                           |                      |
| Long-term debt outstanding   | \$ 12,272,104        | \$ 13,615,984             | \$ 14,900,000        |
| Other current and noncurrent liabilities                           | <u>11,547,180</u>    | <u>15,666,564</u>         | <u>19,012,242</u>    |
| Total liabilities  | 23,819,284           | 29,282,548                | 33,912,242           |
| Deferred Inflows of Resources                                      | <u>3,268,042</u>     | <u>3,115,979</u>          | <u>3,115,979</u>     |
| Total liabilities and deferred inflows of resources                | <u>27,087,326</u>    | <u>32,398,527</u>         | <u>37,028,221</u>    |
| Net Position:  |                      |                           |                      |
| Net investment in capital assets                                   | 16,657,264           | 16,068,175                | 17,239,581           |
| Restricted, expendable   | 3,521,102            | 3,919,972                 | 3,915,919            |
| Unrestricted   | <u>20,778,880</u>    | <u>29,003,887</u>         | <u>18,230,552</u>    |
| Total net position   | <u>40,957,246</u>    | <u>48,992,034</u>         | <u>39,386,052</u>    |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 68,044,572</u> | <u>\$ 81,390,561</u>      | <u>\$ 76,414,273</u> |

\*\*\* Management remeasured leases for the adoption of GASB 87 as of January 1, 2021; however, management elected not to restate Management's Discussion and Analysis for the year ended December 31, 2020.

**Operating Results and Changes in the Medical Center's Net Position**

The following table highlights the Medical Center's operations and changes in net position.

|  | <u>2022</u>          | <u>2021</u><br>(restated) | <u>2020</u><br>(***) |
|--|----------------------|---------------------------|----------------------|
| <b>Operating Revenues</b>  |                      |                           |                      |
| Net patient and resident service revenue   | \$ 52,506,250        | \$ 51,186,829             | \$ 47,742,249        |
| Other revenue  | 392,021              | 662,751                   | 466,403              |
| <b>Total operating revenues</b>  | <u>52,898,271</u>    | <u>51,849,580</u>         | <u>48,208,652</u>    |
| <b>Operating Expenses</b>  |                      |                           |                      |
| Salaries, wages, and employee benefits   | 30,130,370           | 29,257,903                | 29,474,925           |
| Supplies and other   | 10,187,012           | 9,775,687                 | 10,729,164           |
| Professional fees and purchased services   | 19,234,470           | 13,428,647                | 11,939,927           |
| Depreciation and amortization  | 4,308,014            | 4,147,762                 | 3,150,456            |
| <b>Total operating expenses</b>  | <u>63,859,866</u>    | <u>56,609,999</u>         | <u>55,294,472</u>    |
| <b>Operating Loss</b>  | <u>(10,961,595)</u>  | <u>(4,760,419)</u>        | <u>(7,085,820)</u>   |
| <b>Nonoperating Revenues (Expenses)</b>  |                      |                           |                      |
| Property tax revenues  | 3,497,779            | 3,284,513                 | 3,254,488            |
| Provider Relief Funds  | -                    | 6,009,351                 | -                    |
| Paycheck Protection Program loan forgiveness   | -                    | 4,800,000                 | -                    |
| Interest expense   | (706,917)            | (590,408)                 | (417,841)            |
| Investment income (loss)   | (752,167)            | (93,819)                  | 117,437              |
| Gain (loss) on disposal of capital assets  | (237)                | (49,750)                  | -                    |
| Noncapital contributions and grants  | 22,190               | 57,866                    | 526,206              |
| Business interruption insurance recovery and other   | 323,051              | 811,556                   | 93,181               |
| <b>Total nonoperating revenues (expenses), net</b>   | <u>2,383,699</u>     | <u>14,229,309</u>         | <u>3,573,471</u>     |
| <b>Revenues in Excess of Expenses (Expenses in Excess of Revenues) Before Capital Contributions and Grants</b> | <u>(8,577,896)</u>   | <u>9,468,890</u>          | <u>(3,512,349)</u>   |
| <b>Capital Grants and Contributions</b>  | <u>543,108</u>       | <u>175,914</u>            | <u>523,770</u>       |
| <b>Change in Net Position</b>  | <u>(8,034,788)</u>   | <u>9,644,804</u>          | <u>(2,988,579)</u>   |
| <b>Net Position, Beginning of Year</b>   | <u>48,992,034</u>    | <u>39,386,052</u>         | <u>42,374,631</u>    |
| <b>Net Position, Beginning of Year (Restated)</b>  |                      | <u>39,347,230</u>         |                      |
| <b>Net Position, End of Year</b>   | <u>\$ 40,957,246</u> | <u>\$ 48,992,034</u>      | <u>\$ 39,386,052</u> |

\*\*\* Management remeasured leases for the adoption of GASB 87 as of January 1, 2021; however, management elected not to restate Management's Discussion and Analysis for the year ended December 31, 2020.

### Operating Loss

The first component of the overall change in the Medical Center's net position is its operating loss, generally, the difference between net patient service revenues and the expenses incurred to perform those services. In 2022, 2021, and 2020, the Medical Center reported operating losses.

#### Changes in the primary components of operating results are:

| Year ended   | December 31, 2022 |       | December 31, 2021 |       |
|--|-------------------|-------|-------------------|-------|
| Change in net patient and resident service revenue | \$ 1,319,421      | 2.6%  | \$ 3,444,580      | 7.2%  |
| Change in salaries and benefits                    | 872,467           | 3.0%  | (217,022)         | -0.7% |
| Change in professional fees and purchased services | 5,805,823         | 43.2% | 1,488,720         | 12.5% |
| Change in supplies and other expenses              | 411,325           | 4.2%  | (953,477)         | -8.9% |

The decrease in net patient and resident service revenue from 2021 to 2022 was due to decrease in volumes. The increase in net patient and resident service revenue from 2020 to 2021 was related to increase in volumes. Salary, benefit, professional fees, and purchased services costs increased in 2022 as a result of increased staffing costs compared to 2021. Supplies and other expenses increased in 2022 due to increased supply costs.

### Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of property tax revenue to support operations, interest expense on debt and leases, noncapital contributions and grants, and gains (losses) on the disposal of capital assets. Changes in nonoperating revenues (expenses) are as follows:

| Year ended                                  | December 31, 2022 |        | December 31, 2021 |        |
|---|-------------------|--------|-------------------|--------|
| Total nonoperating revenues (expenses), net | \$ (11,845,610)   | -83.2% | \$ 10,655,838     | 298.2% |

The increase in 2021 is a result of the Medical Center recognized approximately \$6 million in Provide Relief Fund revenue, \$4.8 million of Paycheck Protection Program loan forgiveness and \$850,000 of business interruption insurance proceeds in 2021. The decrease in 2022 is a result of the entity not receiving Provider Relief Fund, Paycheck Protection Program or business interruption insurance proceeds payments in 2022.

### The Medical Center's Cash Flows

Changes in the Medical Center's cash flows are consistent with changes in operating income and nonoperating revenues and expense.

| Year ended   | 2022           | 2021           |
|--|----------------|----------------|
| Change in net cash from operations                                   | \$ (4,931,903) | \$ (3,672,936) |
| Change in net cash from non capital related financing activities     | (1,832,639)    | (777,521)      |
| Change in net cash used for capital and related financing activities | (1,606,423)    | 78,651         |
| Change in net cash from (used for) investing activities              | 379,712        | 12,226,788     |

### Capital Assets

During 2022, the Medical Center had additions of approximately \$2,687,000 of capital assets and right to use assets and had approximately \$36,088,000 invested in capital assets and right to use assets, net of accumulated depreciation and amortization, as detailed in Note 4 to the financial statements. During 2021, the Medical Center purchased approximately \$1,773,000 of capital assets and had approximately \$37,726,000 invested in capital assets and right to use assets, net of accumulated depreciation and amortization. This investment in capital assets includes land, land improvements, buildings and improvements, equipment, construction in progress, and right to use leased assets. As of January 1, 2021, the Medical Center adopted of GASB 87, resulting in the recognition of approximately \$8,018,000 in right to use leased assets.

### Long-Term Debt

The Medical Center adopted of GASB 87 as of January 1, 2021 resulting in the recognition of approximately \$8,058,000 in lease liabilities. During 2022, the Medical Center had approximately \$139,000 in new lease liabilities and had approximately \$7,158,000 in outstanding lease liabilities as of December 31, 2022 (Note 5).

### Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. If you have questions about this report or need additional information, contact Estes Park Health Chief Financial Officer, 555 Prospect Avenue, Estes Park, Colorado, 80517.

Park Hospital District dba Estes Park Health  
 Statements of Net Position  
 December 31, 2022 and 2021

|  | 2022          | 2021<br>(restated) |
|--|---------------|--------------------|
| <b>Current Assets</b>  |               |                    |
| Cash and cash equivalents  | \$ 2,099,242  | \$ 11,842,577      |
| Restricted cash  | 1,420,178     | 1,417,282          |
| Assets held as collateral for debt agreement   | 2,100,924     | 2,502,690          |
| Receivables  |               |                    |
| Patient, net of estimated uncollectibles of<br>approximately \$1,314,000 in 2022 and \$674,000 in 2021 | 5,736,603     | 7,150,118          |
| Property Taxes and other   | 3,474,403     | 3,651,026          |
| Estimated third-party payor settlements  | 1,702,112     | 911,702            |
| Supplies   | 1,462,151     | 1,371,692          |
| Prepaid expenses   | 427,630       | 511,097            |
| Total current assets   | 18,423,243    | 29,358,184         |
| <b>Noncurrent Investments</b>  |               |                    |
| Investments  | 13,533,434    | 14,306,607         |
| Total noncurrent investments   | 13,533,434    | 14,306,607         |
| <b>Capital Assets</b>  |               |                    |
| Capital assets not being depreciated   | 556,408       | 1,250,662          |
| Depreciable capital assets, net of accumulated depreciation  | 28,536,051    | 28,714,134         |
| Right to use leased assets, net of accumulated amortization  | 6,995,436     | 7,760,974          |
| Total capital assets   | 36,087,895    | 37,725,770         |
| Total assets   | \$ 68,044,572 | \$ 81,390,561      |

Park Hospital District dba Estes Park Health  
Statements of Net Position  
December 31, 2022 and 2021

|  | 2022          | 2021<br>(restated) |
|--|---------------|--------------------|
| Liabilities, Deferred Inflows of Resources, and Net Position         |               |                    |
| Current Liabilities  |               |                    |
| Current maturities of long-term debt                                 | \$ 265,178    | \$ 240,807         |
| Current maturities of leases   | 714,908       | 846,276            |
| Accounts payable   | 2,242,293     | 3,403,970          |
| CMS Advance Payments   | -             | 2,325,936          |
| Accrued expenses   |               |                    |
| Salaries, wages, and related liabilities                             | 1,169,256     | 1,182,176          |
| Compensated absences   | 977,104       | 888,439            |
| Total current liabilities  | 5,368,739     | 8,887,604          |
| Noncurrent Liabilities   |               |                    |
| Long term debt, less current maturities                              | 12,006,926    | 13,375,177         |
| Leases, less current maturities                                      | 6,443,619     | 7,019,767          |
| Total noncurrent liabilities   | 18,450,545    | 20,394,944         |
| Total Liabilities  | 23,819,284    | 29,282,548         |
| Deferred Inflows of Resources - Property Taxes                       | 3,268,042     | 3,115,979          |
| Net Position   |               |                    |
| Net investment in capital assets                                     | 16,657,264    | 16,068,175         |
| Restricted, expendable   | 3,521,102     | 3,919,972          |
| Unrestricted   | 20,778,880    | 29,003,887         |
| Total net position   | 40,957,246    | 48,992,034         |
| Total liabilities, deferred inflow of resources,<br>and net position | \$ 68,044,572 | \$ 81,390,561      |

Park Hospital District dba Estes Park Health  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended December 31, 2022 and 2021

|   | 2022          | 2021<br>(restated) |
|---|---------------|--------------------|
| Operating Revenues  |               |                    |
| Net patient and resident service revenue, net of provision for bad debts of approximately \$1,634,000 in 2022 and \$881,000 in 2021 | \$ 52,506,250 | \$ 51,186,829      |
| Ancillary services  | 392,021       | 662,751            |
| Total operating revenue   | 52,898,271    | 51,849,580         |
| Operating Expenses  |               |                    |
| Salaries and wages  | 24,594,295    | 23,638,494         |
| Employee benefits   | 5,536,075     | 5,619,409          |
| Professional fees and purchased services  | 19,234,470    | 13,428,647         |
| Supplies  | 5,925,633     | 5,563,849          |
| Utilities and rent expense  | 940,250       | 757,358            |
| Insurance   | 411,562       | 368,996            |
| Repairs and maintenance   | 297,263       | 417,903            |
| Depreciation and amortization   | 4,308,014     | 4,147,762          |
| Other   | 2,612,304     | 2,667,581          |
| Total operating expenses  | 63,859,866    | 56,609,999         |
| Operating Loss  | (10,961,595)  | (4,760,419)        |
| Nonoperating Revenues (Expenses)  |               |                    |
| Property tax revenues   | 3,497,779     | 3,284,513          |
| Provider Relief Funds   | -             | 6,009,351          |
| Paycheck Protection Program loan forgiveness  | -             | 4,800,000          |
| Interest expense  | (706,917)     | (590,408)          |
| Investment income (loss)  | (752,167)     | (93,819)           |
| Loss on disposal of capital assets  | (237)         | (49,750)           |
| Noncapital contributions and grants   | 22,190        | 57,866             |
| Business interruption insurance recovery and other  | 323,051       | 811,556            |
| Nonoperating revenues, net  | 2,383,699     | 14,229,309         |
| Revenues in Excess of (Less Than) Expenses Before Capital Contributions   | (8,577,896)   | 9,468,890          |
| Capital Contributions   | 543,108       | 175,914            |
| Increase (Decrease) in Net Position   | (8,034,788)   | 9,644,804          |
| Net Position, Beginning of the Year (Restated)  | 48,992,034    | 39,347,230         |
| Net Position, End of Year   | \$ 40,957,246 | \$ 48,992,034      |

Park Hospital District dba Estes Park Health

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

|  | 2022                | 2021<br>(restated)   |
|--|---------------------|----------------------|
| Operating Activities   |                     |                      |
| Receipts from and on behalf of patients and other                  | \$ 50,742,840       | \$ 49,905,148        |
| Payments to and on behalf of employees                             | (30,054,625)        | (29,067,066)         |
| Payments to suppliers and contractors                              | (30,590,151)        | (26,078,845)         |
| Other receipts and payments  | 392,021             | 662,751              |
| Net Cash used for Operating Activities                             | <u>(9,509,915)</u>  | <u>(4,578,012)</u>   |
| Non Capital Related Financing Activities                           |                     |                      |
| Property taxes supporting operations                               | 3,497,779           | 3,284,513            |
| Business Interruption Insurance Recovery                           | 323,051             | 850,000              |
| HHS Provider Relief Fund   | -                   | 983,280              |
| Noncapital grants and contributions                                | 22,190              | 557,866              |
| Net Cash from Non Capital Financing Activities                     | <u>3,843,020</u>    | <u>5,675,659</u>     |
| Capital and Capital Related Financing Activities                   |                     |                      |
| Purchase and construction of capital assets                        | (2,325,121)         | (1,060,337)          |
| Proceeds from the sale of capital assets                           | 14,500              | -                    |
| Issuance of long-term debt   | -                   | 269,971              |
| Principal payments on debt obligations                             | (1,343,880)         | (1,328,943)          |
| Interest paid on debt obligations                                  | (546,027)           | (416,164)            |
| Principal payments on leases                                       | (707,516)           | (385,600)            |
| Interest paid on leases  | (160,890)           | (174,244)            |
| Capital contributions  | 543,108             | 175,914              |
| Net Cash used for Capital and Capital Related Financing Activities | <u>(4,525,826)</u>  | <u>(2,919,403)</u>   |
| Investing Activities   |                     |                      |
| Sales of investments   | 50,516              | -                    |
| Purchases of investments   | (165,950)           | (99,452)             |
| Distributions of noncurrent cash and investments                   | 401,766             | -                    |
| Dividend and interest income                                       | 165,950             | 172,022              |
| Net Cash from Investing Activities                                 | <u>452,282</u>      | <u>72,570</u>        |
| Net Change in Cash, Cash Equivalents, and Restricted Cash          | (9,740,439)         | (1,749,186)          |
| Cash, Cash Equivalents, and Restricted Cash, Beginning of Year     | <u>13,259,859</u>   | <u>15,009,045</u>    |
| Cash, Cash Equivalents, and Restricted Cash End of Year            | <u>\$ 3,519,420</u> | <u>\$ 13,259,859</u> |

Park Hospital District dba Estes Park Health

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

|  | <u>2022</u>           | <u>2021</u><br>(restated) |
|--|-----------------------|---------------------------|
| Reconciliation of Cash and Cash Equivalents<br>to the Statement of Net Position    |                       |                           |
| Cash and cash equivalents  | \$ 2,099,242          | \$ 11,842,577             |
| Restricted cash  | <u>1,420,178</u>      | <u>1,417,282</u>          |
| Total Cash and Cash Equivalents  | <u>\$ 3,519,420</u>   | <u>\$ 13,259,859</u>      |
| Reconciliation of Operating Income to Net Cash used for<br>Operating Activities    |                       |                           |
| Operating Loss   | \$ (10,961,595)       | \$ (4,760,419)            |
| Adjustments to reconcile operating income to net cash<br>from operating activities |                       |                           |
| Depreciation and amortization  | 4,308,014             | 4,147,762                 |
| Provision for bad debts  | 1,634,108             | 881,071                   |
| Changes in assets and liabilities  |                       |                           |
| Patient receivables  | (609,858)             | (4,560,625)               |
| Property tax receivables   | 328,686               | (764,115)                 |
| Estimated third-party payor settlements  | (3,116,346)           | (95,063)                  |
| Supplies   | (90,459)              | (66,504)                  |
| Prepaid expenses   | 83,467                | 55,001                    |
| Accounts payable   | (1,161,677)           | 768,424                   |
| Accrued salaries, compensated absences, and other                                  | <u>75,745</u>         | <u>(183,544)</u>          |
| Net Cash used for Operating Activities   | <u>\$ (9,509,915)</u> | <u>\$ (4,578,012)</u>     |
| Supplemental Disclosure of Cash Flow Information                                   |                       |                           |
| Capital assets included in accounts payable  | <u>\$ -</u>           | <u>\$ 276,922</u>         |
| Schedule of Non-Cash Investing, Capital and Financing Activities                   |                       |                           |
| Lease liability for the acquisition of a right to use leased asset                 | <u>\$ 129,152</u>     | <u>\$ 697,977</u>         |

Park Hospital District dba Estes Park Health  
Statements of Financial Position—Discretely Presented Component Unit  
Estes Park Medical Center Foundation  
December 31, 2022 and 2021

|  | 2022         | 2021         |
|--|--------------|--------------|
| Assets                                   |              |              |
| Current Assets                           |              |              |
| Cash and cash equivalents                | \$ 533,059   | \$ 489,082   |
| Promises to give                         | 63,270       | 55,574       |
| Prepaid expenses                         | -            | 1,273        |
| Total current assets                     | 596,329      | 545,929      |
| Other Assets                             |              |              |
| Promises to give, less current portion   | 47,619       | 93,475       |
| Property plant and equipment, net        | 4,228        | 4,792        |
| Investments                              | 3,413,043    | 4,629,271    |
| Total other assets                       | 3,464,890    | 4,727,538    |
| Total assets                             | \$ 4,061,219 | \$ 5,273,467 |
| Liabilities and Net Assets               |              |              |
| Current Liabilities                      |              |              |
| Accounts payable and accrued liabilities | \$ 93,940    | \$ 212,463   |
| Total current liabilities                | 93,940       | 212,463      |
| Net Position                             |              |              |
| Unrestricted                             | 1,439,162    | 2,042,095    |
| Restricted, expendable                   | 2,528,117    | 3,018,909    |
| Total net position                       | 3,967,279    | 5,061,004    |
| Total liabilities and net position       | \$ 4,061,219 | \$ 5,273,467 |

Park Hospital District dba Estes Park Health  
Statements of Activities and Changes in Net Assets—Discretely Presented Component Unit  
Estes Park Medical Center Foundation  
Years Ended December 31, 2022 and 2021

|   | 2022         | 2021         |
|---|--------------|--------------|
| Revenues and Other Support Without Donor Restrictions |              |              |
| Contributions   | \$ 144,600   | \$ 170,786   |
| Net investment return                                 | (396,865)    | 372,536      |
| PPP loan forgiveness                                  | -            | 92,722       |
| Net assets released from restrictions                 | 587,432      | 679,781      |
|   | 335,167      | 1,315,825    |
| Expenses  |              |              |
| Grants and Contributions to Estes Park Health         | 587,432      | 194,610      |
| Salaries and benefits                                 | 277,382      | 280,337      |
| Advertising and marketing                             | 27,537       | 34,595       |
| Professional fees                                     | 20,883       | 13,674       |
| Office and other                                      | 24,866       | 22,608       |
|   | 938,100      | 545,824      |
| Change in Unrestricted Net Position                   | (602,933)    | 770,001      |
| Restricted Net Position                               |              |              |
| Contributions   | 405,914      | 686,398      |
| Contributions restricted to endowment                 | 10,500       | -            |
| Restricted investment return                          | (319,774)    | 317,259      |
| Net position released from restrictions               | (587,432)    | (679,781)    |
|   | (490,792)    | 323,876      |
| Change in Net Position                                | (1,093,725)  | 1,093,877    |
| Net Position, Beginning of the year                   | 5,061,004    | 3,967,127    |
| Net Position, End of Year                             | \$ 3,967,279 | \$ 5,061,004 |

**Note 1 - Reporting Entity and Summary of Significant Accounting Policies**

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

**Reporting Entity**

The Medical Center operates a 23-bed critical access hospital (Hospital); the Prospect Park Retirement Center (Retirement Center); and the Family Medical Center (Clinic), located in Estes Park, Colorado. During 2021, the Retirement Center was closed and residents were transferred to other facilities for care. The Medical Center is organized as a political subdivision of the State of Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Medical Center is governed by a Board of Directors consisting of five members elected by the residents of Park Hospital District. The Medical Center is not a component unit of another governmental entity.

For financial reporting purposes, the Medical Center has included all funds, organizations, agencies, boards, commissions, and authorities. The Medical Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Medical Center are such that the exclusion would cause the Medical Center's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Medical Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Medical Center.

**Discretely Presented Component Unit**

The Estes Park Medical Center Foundation (Foundation) is a 501(c)(3) organization whose sole purpose is to support the Medical Center. The Foundation conducts fundraising campaigns on behalf of the Medical Center. In accordance with Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Foundation has been determined to be a component unit and is presented as a discretely presented component unit in the Medical Center's financial statements. Complete financial statements of the Foundation may be obtained by contacting the Foundation's Executive Office.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

### **Basis of Presentation**

The statement of net position displays the Medical Center's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following components:

*Net investment in capital assets* consists of net capital assets and net leased assets reduced by the outstanding balances of any related debt obligations, lease liabilities, and deferred inflows or resources attributable to the acquisition, construction or improvement of those assets or related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

*Restricted net position:*

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Medical Center.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Medical Center's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

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

### **Patient Receivables, Net**

Patient and resident receivables are uncollateralized patient and third-party payor obligations. Payments of patient and resident receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

### **Property Tax Receivable and Revenues**

Property tax receivable represents taxes certified by the County Commissioners of Larimer County to be collected in the next fiscal year. Taxes are assessed on January 1 and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. Revenue from property taxes is recognized in the year for which the taxes are levied.

### **Supplies**

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

### **Noncurrent Investments**

Noncurrent cash and investments includes unrestricted and undesignated investments, internally designated investments which are set aside by the Board of Directors for future capital improvements and debt retirement, over which the Board retains control and may at its discretion subsequently use for other purposes, and cash and investments restricted by donors. Investments are measured at fair value.

### **Investment Income**

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

**Capital Assets**

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in the depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

|                            |            |
|----------------------------|------------|
| Land improvements          | 8-40 years |
| Buildings and improvements | 5-40 years |
| Equipment                  | 3-25 years |

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

Right to use leased assets are recognized at the lease commencement date and represent the Medical Center’s right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

**Compensated Absences**

The Medical Center's employees earn paid time-off (PTO) days for vacation and sick leave at varying rates depending on years of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO upon termination.

**Estimated Health Claims Payable**

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

**Deferred Inflows of Resources**

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflow of resources reported in the financial statements are unavailable property taxes. The property taxes will be recognized as revenue in the year in which the taxes are levied and become available.

**Operating Revenues and Expenses**

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Medical Center result from exchange transactions associated with providing health care services - the Medical Center's principal activity, and the costs of providing those services, including depreciation and amortization and excluding interest cost. All other revenues and expenses are reported as nonoperating.

**Net Patient and Resident Service Revenue**

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Colorado Healthcare Affordability and Sustainability Enterprise**

The Medical Center participates in the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE), approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state are assessed a fee based on bed size and payor mix. The State of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the State of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Medical Center paid approximately \$1,258,000 and \$1,129,000 in CHASE fees for the years ended December 31, 2022 and 2021, which were recorded in operating expenses. The Medical Center received approximately \$4,909,000 and \$3,436,000 of supplemental payments for the years ended December 31, 2022 and 2021, which are recorded as part of net patient service revenue.

**Grants and Contributions**

The Medical Center may receive grants 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 that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

**Budgets**

The Medical Center adopts an annual budget in accordance with Colorado Statutes. The budgeted revenue and expenditures are used by management as a control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

**Implementation of GASB Statement No. 87**

As of January 1, 2021, the Medical Center adopted GASB Statement No.87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 11 and the additional disclosures required by this standard are included in Note 5.

**Note 2 - Net Patient Service Revenue**

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

**Critical Access Hospital**

**Medicare** – The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Medical Center’s Medicare cost reports have been audited by the MAC through the year ended December 31, 2019. Clinical services are paid on a cost basis or fixed fee schedule.

**Medicaid** – Inpatient services and outpatient services after November 1, 2016 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. Outpatient services prior to November 1, 2016 related to Medicaid beneficiaries are paid at interim rates based on Medicaid cost-to-charge ratio. Retrospective settlements based on audited cost-to-charge ratios are made periodically.

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

**Long-Term Care**

Resident service revenue was recorded at established billing rates that were determined on a cost-related basis subject to certain limitations as prescribed by Colorado Department of Human Services regulations. These rates are subject to retroactive adjustment by field audit. The Retirement Center participated in the Medicare program for which payment for services was made on a prospectively determined per diem rate, which varied, based on a case-mix adjusted patient classification system. The differences between actual charges and payments were accounted for as contractual adjustments.

Concentration of gross revenues by major payor accounted for the following percentages of the Medical Center’s patient service revenues for the years ended December 31, 2022 and 2021:

|                          | <u>2022</u> | <u>2021</u> |
|--------------------------|-------------|-------------|
| Medicare                 | 35%         | 39%         |
| Medicaid                 | 14%         | 13%         |
| Other third-party payors | 49%         | 45%         |
| Self pay                 | 2%          | 3%          |
|                          | <u>100%</u> | <u>100%</u> |

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

#### **CMS Advance Payments**

The CMS Advance Payments balance consisted of advance payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Medical Center received \$4,381,398 in advance payments during 2020, which were recouped through the Medicare claims processed beginning 365 days after the date of issuance of each advance payment. This recoupment process continued until the balance of the advance payments was recouped. The advance payments balance was non-interest bearing through the 29-month repayment period. The remaining amounts were fully recouped during the year ended December 31, 2022.

#### **Note 3 - Deposits and Investments**

The carrying amounts of deposits and investments as of December 31, 2022 and 2021 are as follows:

|                        | <u>2022</u>          | <u>2021</u>          |
|------------------------|----------------------|----------------------|
| Carrying amount        |                      |                      |
| Cash and deposits      | \$ 5,620,344         | \$ 15,762,549        |
| Noncurrent investments | 13,533,434           | 14,306,607           |
|                        | <u>\$ 19,153,778</u> | <u>\$ 30,069,156</u> |

Deposits and investments are reported in the following statement of net position captions:

|  | <u>2022</u>          | <u>2021</u>          |
|--|----------------------|----------------------|
| Included in the following statement of financial position captions |                      |                      |
| Cash and cash equivalents  | \$ 2,099,242         | \$ 11,842,577        |
| Restricted cash  | 1,420,178            | 1,417,282            |
| Assets held as collateral for debt agreement                       | 2,100,924            | 2,502,690            |
| Noncurrent investments   | <u>13,533,434</u>    | <u>14,306,607</u>    |
|  | <u>\$ 19,153,778</u> | <u>\$ 30,069,156</u> |

**Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure or investment company failure, the Medical Center's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The Medical Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022 and 2021, the Medical Center's deposits in banks were entirely covered by federal depository insurance and PDPA.

## Investments

The Medical Center's long-term investments are reported at fair value. At December 31, 2022 and 2021, the Medical Center's investments consisted of the following:

| Investment Type       | Amount               | Rating     | Investment Maturities (in Years) |                     |             |
|-----------------------|----------------------|------------|----------------------------------|---------------------|-------------|
|                       |                      |            | Less Than 1                      | 1 - 5               | 6 - 10      |
| Municipal Bonds       | \$ 394,440           | AAA        | \$ -                             | \$ 394,440          | \$ -        |
| Government Securities | 12,441,990           | AA- to AA+ | 3,194,413                        | 9,127,700           | -           |
| Corporate Bonds       | 697,004              | AA- to AA+ | 697,004                          | -                   | -           |
|                       | <u>\$ 13,533,434</u> |            | <u>\$ 3,891,417</u>              | <u>\$ 9,522,140</u> | <u>\$ -</u> |

  

| Investment Type       | Amount               | Rating     | Investment Maturities (in Years) |                      |             |
|-----------------------|----------------------|------------|----------------------------------|----------------------|-------------|
|                       |                      |            | Less Than 1                      | 1 - 5                | 6 - 10      |
| Municipal Bonds       | \$ 440,428           | AAA        | \$ -                             | \$ 440,428           | \$ -        |
| Government Securities | 11,723,668           | AA- to AA+ | -                                | 11,723,668           | -           |
| Corporate Bonds       | 2,142,511            | AA- to AA+ | 707,049                          | 1,435,462            | -           |
|                       | <u>\$ 14,306,607</u> |            | <u>\$ 707,049</u>                | <u>\$ 13,599,558</u> | <u>\$ -</u> |

The Medical Center uses fair value to measure investments. Government securities and corporate bonds are considered Level 2 measurements, which utilize inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These measurements include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

## Interest Rate Risk

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

## Credit Risk

State Statutes limit the investment in bonds, debentures or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations. As of December 31, 2022 and 2021, the Medical Center was compliant with State Statutes with regard to credit risk. The Medical Center has no investment policy that would further limit its investment options.

**Note 4 - Capital Assets**

Capital asset additions, transfers, retirements, and balances for the year ended December 31, 2022 are as follows:

|  | Balance,<br>December 31, 2021<br>(Restated) | Additions             | Transfers and<br>Disposals | Balance,<br>December 31, 2022 |
|--|---|-----------------------|----------------------------|-------------------------------|
| Capital assets not being depreciated             |   |                       |                            |                               |
| Land   | \$ 513,973                                  | \$ -                  | \$ -                       | \$ 513,973                    |
| Construction in progress                         | 736,689                                     | 2,557,495             | (3,251,749)                | 42,435                        |
| Total capital assets not being depreciated       | <u>1,250,662</u>                            | <u>2,557,495</u>      | <u>(3,251,749)</u>         | <u>556,408</u>                |
| Capital assets being depreciated                 |   |                       |                            |                               |
| Land improvements                                | 845,185                                     | -                     | (2,300)                    | 842,885                       |
| Building   | 42,273,941                                  | -                     | 891,519                    | 43,165,460                    |
| Equipment and vehicles                           | 11,808,442                                  | -                     | 916,693                    | 12,725,135                    |
| Total capital assets being depreciated           | <u>54,927,568</u>                           | <u>-</u>              | <u>1,805,912</u>           | <u>56,733,480</u>             |
| Accumulated depreciation                         |   |                       |                            |                               |
| Land improvements                                | (720,139)                                   | (37,535)              | 250,000                    | (507,674)                     |
| Building   | (17,483,471)                                | (1,368,028)           | -                          | (18,851,499)                  |
| Equipment and vehicles                           | (8,009,824)                                 | (2,007,036)           | 1,178,604                  | (8,838,256)                   |
| Total accumulated depreciation                   | <u>(26,213,434)</u>                         | <u>\$ (3,412,599)</u> | <u>\$ 1,428,604</u>        | <u>(28,197,429)</u>           |
| Net depreciable capital assets                   | <u>\$ 28,714,134</u>                        |                       |                            | <u>\$ 28,536,051</u>          |
| Right to use leased assets being amortized       |   |                       |                            |                               |
| Building   | 7,119,562                                   | -                     | (275,736)                  | 6,843,826                     |
| Equipment  | 2,685,489                                   | 129,152               | (630,773)                  | 2,183,868                     |
| Total right to use leased assets being amortized | <u>9,805,051</u>                            | <u>129,152</u>        | <u>(906,509)</u>           | <u>9,027,694</u>              |
| Accumulated amortization                         |   |                       |                            |                               |
| Building   | (787,106)                                   | (372,623)             | 275,736                    | (883,993)                     |
| Equipment  | (1,256,971)                                 | (522,067)             | 630,773                    | (1,148,265)                   |
| Total accumulated amortization                   | <u>(2,044,077)</u>                          | <u>(894,690)</u>      | <u>906,509</u>             | <u>(2,032,258)</u>            |
| Net right to use leased assets                   | <u>7,760,974</u>                            |                       |                            | <u>6,995,436</u>              |
| Capital assets, net                              | <u>\$ 37,725,770</u>                        |                       |                            | <u>\$ 36,087,895</u>          |

Park Hospital District dba Estes Park Health

Notes to Financial Statements

December 31, 2022 and 2021

Capital asset additions, transfers, retirements, and balances for the year ended December 31, 2021, as restated, are as follows:

|   | Balance,<br>December 31, 2020 | Additions          | Transfers and<br>Disposals | Balance,<br>December 31, 2021 |
|---|-------------------------------|--------------------|----------------------------|-------------------------------|
| Capital assets not being depreciated                |                               |                    |                            |                               |
| Land  | \$ 513,973                    | \$ -               | \$ -                       | \$ 513,973                    |
| Construction in progress                            | 12,677                        | 1,069,664          | (345,652)                  | 736,689                       |
| Total capital assets not being<br>depreciated       | <u>526,650</u>                | <u>1,069,664</u>   | <u>(345,652)</u>           | <u>1,250,662</u>              |
| Capital assets being depreciated                    |                               |                    |                            |                               |
| Land improvements                                   | 881,009                       | -                  | (35,824)                   | 845,185                       |
| Building  | 43,071,694                    | -                  | (797,753)                  | 42,273,941                    |
| Equipment and vehicles                              | 11,833,788                    | 5,802              | (31,148)                   | 11,808,442                    |
| Total capital assets being<br>depreciated           | <u>55,786,491</u>             | <u>5,802</u>       | <u>(864,725)</u>           | <u>54,927,568</u>             |
| Accumulated depreciation                            |                               |                    |                            |                               |
| Land improvements                                   | (726,744)                     | (29,219)           | 35,824                     | (720,139)                     |
| Building  | (16,920,012)                  | (1,356,520)        | 793,061                    | (17,483,471)                  |
| Equipment and vehicles                              | (6,526,804)                   | (1,806,584)        | 323,564                    | (8,009,824)                   |
| Total accumulated<br>depreciation                   | <u>(24,173,560)</u>           | <u>(3,192,323)</u> | <u>1,152,449</u>           | <u>(26,213,434)</u>           |
| Net depreciable capital assets                      | <u>\$ 31,612,931</u>          |                    |                            | <u>\$ 28,714,134</u>          |
| Right to use leased assets<br>being amortized       |                               |                    |                            |                               |
| Building  | 7,119,562                     | -                  | -                          | 7,119,562                     |
| Equipment   | 1,998,404                     | 697,977            | (10,892)                   | 2,685,489                     |
| Total right to use leased assets<br>being amortized | <u>9,117,966</u>              | <u>697,977</u>     | <u>(10,892)</u>            | <u>9,805,051</u>              |
| Accumulated amortization                            |                               |                    |                            |                               |
| Building  | (343,064)                     | (444,042)          | -                          | (787,106)                     |
| Equipment   | (756,464)                     | (511,399)          | 10,892                     | (1,256,971)                   |
| Total accumulated<br>amortization                   | <u>(1,099,528)</u>            | <u>(955,441)</u>   | <u>10,892</u>              | <u>(2,044,077)</u>            |
| Net right to use leased assets                      | <u>8,018,438</u>              |                    |                            | <u>7,760,974</u>              |
| Capital assets, net                                 | <u>\$ 40,158,019</u>          |                    |                            | <u>\$ 37,725,770</u>          |

**Note 5 - Lease Obligations**

The Medical Center entered into various agreements to buildings and medical equipment. The leases terminate at various dates through May 2040. Under the terms of the lease agreements, the Medical Center pays monthly base rents ranging from \$123 to \$35,665.

During the fiscal years ended December 31, 2022 and 2021, the Medical Center recorded approximately \$895,000 and \$955,000, respectively, in amortization expense and approximately \$161,000 and \$185,000, respectively, in interest expense related to the leases. When there is no interest rate explicitly stated in the lease agreement, the Medical Center used a discount rate of 0.51% based on the incremental borrowing rate.

Remaining principal and interest payments on leases are as follows:

| <u>Years Ending December 31,</u> | <u>Principal</u>    | <u>Interest</u>     |
|----------------------------------|---------------------|---------------------|
| 2023                             | \$ 714,908          | \$ 157,647          |
| 2024                             | 633,142             | 142,586             |
| 2025                             | 545,679             | 129,369             |
| 2026                             | 340,382             | 119,226             |
| 2027                             | 316,135             | 111,845             |
| 2028-2032                        | 1,696,437           | 443,463             |
| 2033-2037                        | 1,906,780           | 233,120             |
| 2038-2042                        | <u>1,005,064</u>    | <u>29,653</u>       |
|                                  | <u>\$ 7,158,527</u> | <u>\$ 1,366,909</u> |

**Note 6 - Paycheck Protection Program (PPP) Loan**

The Medical Center was granted a \$4,800,000 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Medical Center initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Entity recognized \$4,800,000 of loan forgiveness income for the year ended December 31, 2021.

**Note 7 - Long-Term Debt**

A schedule of changes in the Medical Center's long-term debt for 2022 and 2021 is as follows:

|                               | Balance,<br>December 31, 2021 | Additions         | Reductions<br>or Payments | Balance,<br>December 31, 2022 | Due Within<br>One Year |
|-------------------------------|-------------------------------|-------------------|---------------------------|-------------------------------|------------------------|
| Promissory Notes, Series 2016 | \$ 11,295,000                 | \$ -              | \$ (1,125,000)            | \$ 10,170,000                 | \$ -                   |
| 2020 Promissory Note          | 2,320,984                     | -                 | (218,880)                 | 2,102,104                     | 265,178                |
| Leases                        | 7,866,043                     | 138,760           | (846,276)                 | 7,158,527                     | 714,908                |
|                               | <u>\$ 21,482,027</u>          | <u>\$ -</u>       | <u>\$ (2,190,156)</u>     | <u>\$ 19,430,631</u>          | <u>\$ 980,086</u>      |
|                               |                               |                   |                           |                               |                        |
|                               | Balance,<br>December 31, 2020 | Additions         | Reductions<br>or Payments | Balance,<br>December 31, 2021 | Due Within<br>One Year |
| Promissory Notes, Series 2016 | \$ 12,400,000                 | \$ -              | \$ (1,105,000)            | \$ 11,295,000                 | \$ -                   |
| 2020 Promissory Note          | 2,500,000                     | -                 | (179,016)                 | 2,320,984                     | 240,807                |
| Leases                        | 8,058,259                     | 726,364           | (918,580)                 | 7,866,043                     | 846,276                |
| PPP Loan                      | 4,800,000                     | -                 | (4,800,000)               | -                             | -                      |
|                               | <u>\$ 27,758,259</u>          | <u>\$ 726,364</u> | <u>\$ (7,002,596)</u>     | <u>\$ 21,482,027</u>          | <u>\$ 1,087,083</u>    |

**Promissory Notes, Series 2016**

During 2016, the Medical Center refinanced its Limited Tax-Revenue Bonds Series 2006 (Bonds) with Promissory Notes, Series 2016 (Notes). The Notes bear interest of 1.85% and 2.90% with the interest being paid semiannually on each January 1 and July 1 and principal being due in varying annual installments through December 31, 2031. The Notes are secured by the Medical Center's pledged revenues. The Medical Center made principal payments due on January 1 of the subsequent year, thus there is no current portion of long-term debt shown in the financial statements.

**2020 Promissory Note**

The Medical Center has a note payable with a financial institution for \$2,500,000, the proceeds of which were used to fund the construction of the Urgent Care Clinic buildout. Beginning April 30, 2021, monthly payments of \$22,361 are due through maturity of March 30, 2031. Interest accrues at the Bank of Colorado Estes Park 12-month Public Funds Certificate of Deposit Rate plus 1% (1.01% and 1.01% as of December 31, 2022 and 2021, respectively). The promissory note is secured by a certificate of deposit held by the financial institution.

**Restrictive Covenants**

Under the terms of the 2016 and 2020 promissory notes, the Medical Center is required to maintain certain deposits with the lenders. Such deposits are included in restricted cash under debt agreement on the statement of net position. The promissory note agreements also require the Medical Center satisfy certain financial and nonfinancial covenants. The Medical Center was not in compliance with the debt-service coverage ratio requirement as of December 31, 2022 and received a waiver from the lender.

Scheduled debt service requirements for the Medical Center’s long-term debt are as follows:

| Year Ending December 31, | Long-Term Debt       |                     | Total                |
|--------------------------|----------------------|---------------------|----------------------|
|                          | Principal            | Interest            |                      |
| 2023                     | \$ 265,178           | \$ 313,914          | \$ 579,092           |
| 2024                     | 1,385,719            | 299,637             | 1,685,356            |
| 2025                     | 1,423,212            | 263,299             | 1,686,511            |
| 2026                     | 1,460,730            | 225,722             | 1,686,452            |
| 2027                     | 1,503,275            | 187,018             | 1,690,293            |
| 2028-2032                | 6,233,990            | 1,354,020           | 7,588,010            |
| Total                    | <u>\$ 12,272,104</u> | <u>\$ 2,643,610</u> | <u>\$ 14,915,714</u> |

**Note 8 - Pension Plan**

The Medical Center has a defined contribution plan covering substantially all employees who meet age and hour requirements. Employer contributions to the plan are based on a percentage of eligible employee compensation for plan participants. Total pension expense for the years ended December 31, 2022, 2021, and 2020 was approximately \$1,450,000, \$1,380,000 and \$1,510,000, respectively.

**Note 9 - Concentrations**

The Medical Center grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients, and residents at December 31, 2022 and 2021 was as follows:

|                          | 2022        | 2021        |
|--------------------------|-------------|-------------|
| Medicare                 | 45%         | 35%         |
| Medicaid                 | 9%          | 7%          |
| Blue Cross               | 5%          | 9%          |
| Other third-party payors | 25%         | 20%         |
| Self pay                 | 16%         | 29%         |
|                          | <u>100%</u> | <u>100%</u> |

## **Note 10 - Contingencies**

### **COVID-19 Pandemic**

The world-wide coronavirus pandemic impacted national and global economies. The Medical Center is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Medical Center is not known.

### **Risk Management**

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

### **Malpractice Insurance**

The Medical Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

### **Litigation, Claims, and Disputes**

The Medical Center is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Medical Center.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient and resident services.

**Self-Funded Health Plan**

The Medical Center is self-funded for health benefits for eligible employees and their dependents. The Medical Center, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end, which estimates the incurred but not reported claims that will be paid by the Medical Center. The Medical Center has stop loss insurance to cover catastrophic claims in excess of \$75,000 per claim and an annual aggregate limit of \$4,438,841 for the plan year ended December 31, 2022.

The Medical Center expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued expenses in the financial statements. These amounts have been estimated based on historical trends and actuarial analysis.

Changes in the balance of claims liabilities during the years ended December 31, 2022 and 2021 are as follows:

| Year | Beginning Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Liability |
|------|---------------------|--|----------------|------------------|
| 2022 | \$ 376,449          | \$ 3,650,968                                 | \$ (3,581,576) | \$ 445,841       |
| 2021 | 300,000             | 3,343,322                                    | (3,266,873)    | 376,449          |

**Paycheck Protection Program (PPP) Loan Review**

The Medical Center applied for and received loan forgiveness from the SBA on its PPP loan in 2021. In accordance PPP loan requirements, the Medical Center is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Medical Center is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on this review.

**Note 11 - Adoption of New Accounting Standard**

As of January 1, 2021, the Medical Center adopted GASB Statement No. 87, *Leases* (Statement), the implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Beginning net position was restated to retroactively adopt the provisions of the Statement as follows:

|   |                      |
|---|----------------------|
| Net position at December 31, 2020, as previously reported | \$ 39,386,052        |
| Recognition of right to use leased assets                 | 8,018,437            |
| Recognition of lease liabilities                          | <u>(8,057,259)</u>   |
| Net position at January 1, 2021 as restated               | <u>\$ 39,347,230</u> |

Park Hospital District dba Estes Park Health

Notes to Financial Statements

December 31, 2022 and 2021

In addition, the adoption of the standard impacted the Medical Center's statement of revenue, expenses, and changes in net position for the year ended December 31, 2021 as follows:

|   | As Previously<br>Reported | Adjustment   | As Restated  |
|---|---------------------------|--------------|--------------|
| <b>Statement of Net Position</b>  |                           |              |              |
| Capital Assets  |                           |              |              |
| Right to use leased assets, net<br>of accumulated amortization          | \$ -                      | \$ 7,760,974 | \$ 7,760,974 |
| Total capital assets  | 30,195,401                | 7,530,369    | 37,725,770   |
| Total assets  | 73,860,192                | 7,530,369    | 81,390,561   |
| Current Liabilities   |                           |              |              |
| Current maturities of leases  | 49,476                    | 796,800      | 846,276      |
| Total current liabilities   | 8,090,804                 | 796,800      | 8,887,604    |
| Noncurrent Liabilities  |                           |              |              |
| Leases, less current maturities   | 175,568                   | 6,844,199    | 7,019,767    |
| Total noncurrent liabilities  | 13,550,745                | 6,844,199    | 20,394,944   |
| Total Liabilities   | 21,641,549                | 7,640,999    | 29,282,548   |
| Net Position  |                           |              |              |
| Net investment in capital assets  | 16,354,373                | (286,198)    | 16,068,175   |
| Unrestricted  | 28,828,319                | 175,568      | 29,003,887   |
| Total net position  | 49,102,664                | (110,630)    | 48,992,034   |
| Total liabilities, deferred inflow of resources,<br>and net position    | 73,860,192                | 7,530,369    | 81,390,561   |
| <b>Statement of Revenues, Expenses, and<br/>Changes in Net Position</b> |                           |              |              |
| Operating Expenses  |                           |              |              |
| Utilities and rent expense  | 1,773,646                 | (1,016,288)  | 757,358      |
| Depreciation and amortization   | 3,231,689                 | 916,073      | 4,147,762    |
| Other   | 2,669,802                 | (2,221)      | 2,667,581    |
| Total operating expenses  | 56,712,435                | (102,436)    | 56,609,999   |
| Operating Loss  | (4,862,855)               | 102,436      | (4,760,419)  |
| Nonoperating Revenues (Expenses)  |                           |              |              |
| Interest expense  | (416,164)                 | (174,244)    | (590,408)    |
| Nonoperating revenues, net  | 14,403,553                | (174,244)    | 14,229,309   |
| Revenues in Excess of (Less Than) Expenses Before                       |                           |              |              |
| Capital Contributions   | 9,540,698                 | (71,808)     | 9,468,890    |
| Increase (Decrease) in Net Position                                     | 9,716,612                 | (71,808)     | 9,644,804    |
| Net Position, Beginning of the Year (Restated)                          | 39,386,052                | (38,822)     | 39,347,230   |
| Net Position, End of Year   | 49,102,664                | (110,630)    | 48,992,034   |
| <b>Statement of Cash Flows</b>  |                           |              |              |
| Operating Activities  |                           |              |              |
| Payments to suppliers and contractors                                   | (26,638,689)              | 559,844      | (26,078,845) |
| Capital and Capital Related Financing Activities                        |                           |              |              |
| Principal payments on leases  | -                         | (385,600)    | (385,600)    |
| Interest paid on leases   | -                         | (174,244)    | (174,244)    |



Required Supplementary Information  
December 31, 2022

# Park Hospital District dba Estes Park Health

Park Hospital District dba Estes Park Health  
Schedule of Revenues and Expenses – Budget and Actual  
Year Ended December 31, 2022

|  | <u>Budget</u>        | <u>Actual</u>        | Variance<br>Favorable/<br>(Unfavorable) |
|--|----------------------|----------------------|---|
| <b>Operating Revenue</b>                         |                      |                      |   |
| Net patient and resident service revenue         | \$ 52,026,768        | \$ 52,506,250        | \$ 479,482                              |
| Other revenue                                    | 629,500              | 392,021              | (237,479)                               |
| <b>Total operating revenue</b>                   | <u>52,656,268</u>    | <u>52,898,271</u>    | <u>242,003</u>                          |
| <b>Nonoperating Revenues (Expense)</b>           |                      |                      |   |
| Property tax revenues                            | 3,499,500            | 3,497,779            | (1,721)                                 |
| Interest expense                                 | (402,597)            | (706,917)            | (304,320)                               |
| Capital contributions                            | 450,000              | 543,108              | 93,108                                  |
| Noncapital contributions and grants              | 75,000               | 22,190               | (52,810)                                |
| Loss on disposal of capital assets               | -                    | (237)                | (237)                                   |
| Investment income (loss)                         | 55,500               | (752,167)            | (807,667)                               |
| Other  | 2,752,500            | 323,051              | (2,429,449)                             |
| <b>Total nonoperating revenue (expense), net</b> | <u>6,429,903</u>     | <u>2,926,807</u>     | <u>(3,503,096)</u>                      |
| <b>Total revenues</b>                            | <u>\$ 59,086,171</u> | <u>\$ 55,825,078</u> | <u>\$ (3,261,093)</u>                   |
| <b>Expenses</b>                                  |                      |                      |   |
| Salaries, wages, and employee benefits           | \$ 31,945,194        | \$ 30,130,370        | \$ 1,814,824                            |
| Supplies and other                               | 11,048,193           | 10,187,012           | 861,181                                 |
| Professional fees and purchased services         | 13,456,966           | 19,234,470           | (5,777,504)                             |
| Depreciation and amortization                    | 3,261,108            | 4,308,014            | (1,046,906)                             |
| <b>Total expenses</b>                            | 59,711,461           | 63,859,866           | (4,148,405)                             |
| <b>Debt Retirement</b>                           |                      |                      |   |
| Principal paid                                   | -                    | 1,343,880            | (1,343,880)                             |
| <b>Total expenditures</b>                        | <u>\$ 59,711,461</u> | <u>\$ 65,203,746</u> | <u>\$ (5,492,285)</u>                   |

**Notes to Schedule:**

1. Annual budgets are adopted as required by Colorado Statute. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.
2. Appropriations are adopted by resolutions in total. For the year ended December 31, 2022, there were no additional resolutions for supplementary budget and appropriation.
3. Management believes that the Medical Center is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).



**Independent Auditor's 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***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Park Hospital District dba Estes Park Health (the Medical Center) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Park Hospital District dba Estes Park Health's basic financial statements and the statements of financial position and related statements of activities of its discretely presented component unit, the Estes Park Medical Center Foundation dba Estes Park Health Foundation, and have issued our report thereon dated May 25, 2023.

**Report on Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Medical Center'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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 that we consider to be a material weakness.

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

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Medical Center's Response to Finding**

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

## **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 Medical Center'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 Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Denver, Colorado  
May 25, 2023



**Independent Auditor’s Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors  
Park Hospital District dba Estes Park Health  
Estes Park, Colorado

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

***Opinion on the Major Federal Program***

We have audited Park Hospital District dba Estes Park Health’s (the Medical Center) 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 Medical Center’s major federal program for the year ended December 31, 2022. The Medical Center’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center 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 Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Medical Center 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 the major federal program. Our audit does not provide a legal determination of the Medical Center’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 Medical Center's federal program.

### ***Auditor's 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 Medical Center'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 Medical Center's compliance with the requirements of its 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 Medical Center'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 Medical Center'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 Medical Center'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 Auditor's 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.

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.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Medical Center as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Estes Park Health's basic financial statements and the statements of financial position and related statements of activities of its discretely presented component unit, the Estes Park Medical Center Foundation dba Estes Park Health Foundation. We issued our report thereon dated May 25, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Edie Bailly LLP*

Denver, Colorado  
May 25, 2023

Park Hospital District dba Estes Park Health  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2022

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title  | Federal Financial<br>Assistance<br>Listing | Pass-through<br>Entity<br>Identifying<br>Number | Expenditures      |
|---|--|---|-------------------|
| Department of Health and Human Services<br>COVID-19 Provider Relief Fund and American Rescue<br>Plan (ARP) Rural Distribution | 93.498                                     | N/A   | \$ 869,858        |
| Total Federal Financial Assistance  |  |   | <u>\$ 869,858</u> |

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Park Hospital District dba Estes Park Health (the Medical Center) under programs of the federal government for the year ended December 31, 2022. The information 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 Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

**Note 2 - Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The Medical Center has not elected to use the 10% de minimis cost rate.

**Note 4 - Provider Relief Fund and American Rescue Plan Rural Distribution**

The Medical Center received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) program (Federal Financial Assistance Listing/CFDA #93.498) during the year ended December 31, 2021 totaling \$869,858. In accordance with the 2022 compliance supplement, the PRF expenditures were not recognized on the schedule until the expenditures were included in the reporting for Period 4 to HHS for the calendar year ended December 31, 2022, as required under the PRF program. This resulted in \$869,858 being recognized in the schedule for the year ended December 31, 2022.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

|  |               |
|--|---------------|
| Type of auditor's report issued  | Unmodified    |
| Internal control over financial reporting:                                 |               |
| Material weaknesses identified   | Yes           |
| Significant deficiency identified not considered to be material weaknesses | None Reported |
| Noncompliance material to financial statements noted?                      | No            |

**FEDERAL AWARDS**

|   |               |
|---|---------------|
| Internal control over major programs:   |               |
| Material weaknesses identified  | No            |
| Significant deficiency identified not considered to be material weaknesses  | None Reported |
| Type of auditor's report issued on compliance for major programs  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): | No            |

**Identification of major programs:**

| <u>Name of Federal Program</u>  | <u>Federal Financial Assistance Listing/Federal CFDA Number</u> |
|---|---|
| COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498  |
| Dollar threshold used to distinguish between Type A and Type B Programs         | \$750,000   |
| Auditee qualified as low-risk auditee?  | No  |

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**Section II – Financial Statement Findings**

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**2022-001      Preparation of Financial Statements and Schedule of Expenditures of Federal Award -  
Material Audit Adjustment  
Material Weakness in Internal Control over Financial Reporting**

*Criteria* – A properly designed system of internal control over financial reporting includes preparation of an entity’s financial statements, including the schedule of federal expenditures, and accompanying notes by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S generally accepted accounting principles (GAAP).

*Condition* – A material adjustment was necessary related to the Medicare cost report settlement. This is an indicator that the Hospital does not have an internal control system designed to provide for the preparation of financial statements being audited, including related disclosures and preparation of the cash flow statement in accordance with GAAP.

*Cause* – This deficiency is partially due to the limited resources in the financial reporting process and due to employee turnover. The hospital does have a model to estimate the estimated reimbursement, but it was not consistently updated due to limited resources available during the year. Furthermore, management has elected to have the financial statements and footnotes prepared by the auditors as part of the audit, which were then reviewed by management.

*Effect* – This control deficiency could result in inaccurate amounts in the financial statements.

*Recommendation* – We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances. Additionally, we recommend the Hospital implement a review process over the Medicare cost report settlement to ensure the inputs used are accurate. It is the responsibility of management and those charges with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials* – Management accepts the risk associated with assistance with the preparation of the audited financial statements by the independent auditor. Due to cost constraints, management will continue to have the auditors draft the financial statements and accompanying notes to the financial statements. We will implement a process to ensure the review of the Medicare Cost Report reimbursement model.

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

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No current year findings reported.