Financial Statements
December 31, 2025

Park Hospital District

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities and the discretely presented component unit of Park Hospital District (District), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the District as of December 31, 2025, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 District and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budget to actual schedule on page 23 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 of the limited procedures.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Denver, Colorado
July 22, 2026

Park Hospital District
Statement of Net Position
December 31, 2025

Current Assets	
Cash	$ 193,556
Property taxes	4,396,016
Total current assets	4,589,572
Capital Assets	
Capital assets not being depreciated	1,342,137
Depreciable capital assets, net	20,928,922
Total capital assets	22,271,059
Total assets	$ 26,860,631
Liabilities, Deferred Inflows of Resources, and Net Position	
Current Liabilities	
Accounts payable	$ 98,705
Accrued salaries, wages, and related liabilities	99,123
Total current liabilities	197,828
Deferred Inflows of Resources - Property Taxes	4,396,016
Net Position	
Net investment in capital assets	22,271,059
Unrestricted	(4,272)
Total net position	22,266,787
Total liabilities, deferred inflow of resources, and net position	$ 26,860,631

Park Hospital District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2025

Operating Revenues	
Net patient service revenue, net of provision for bad debts of approximately $2,344,000 in 2025	$ 56,354,947
Ancillary services	261,165
Total operating revenues	56,616,112
Operating Expenses	
Salaries and wages	25,367,517
Employee benefits	4,303,140
Professional fees and purchased services	15,221,584
Supplies	5,750,330
Utilities and rent expense	1,056,067
Insurance	877,481
Repairs and maintenance	264,056
Depreciation and amortization	3,562,092
Other	2,851,519
Total operating expenses	59,253,786
Operating Loss	(2,637,674)
Nonoperating Revenues (Expenses)	
Property tax revenues	4,003,969
Interest expense	(442,285)
Investment income	956,519
Loss on disposal of capital assets	(59,696)
Noncapital contributions and grants	15,402
Other nonoperating expenses	(1,319,470)
Nonoperating revenues, net	3,154,439
Revenues in Excess of Expenses Before Capital Contributions and Loss on Transfer of Hospital Operations	516,765
Capital Contributions	419,888
Loss on Transfer of Hospital Operations	(18,793,166)
Change in Net Position	(17,856,513)
Net Position, Beginning of the Year	40,123,300
Net Position, End of Year	$ 22,266,787

Operating Activities	
Receipts from and on behalf of patients and other	$ 55,079,976
Payments to and on behalf of employees	(30,244,303)
Payments to suppliers and contractors	(26,494,482)
Other receipts and payments	261,165
Net Cash used for Operating Activities	(1,397,644)
Noncapital Related Financing Activities	
Property taxes supporting operations	4,311,170
Cash and restricted cash transferred with healthcare operations	(8,265,765)
Employee retention credit funds received	1,838,087
Grants and contributions	15,402
Net Cash used for Noncapital Financing Activities	(2,101,106)
Capital and Capital Related Financing Activities	
Purchase and construction of capital assets	(1,775,995)
Principal payments on long-term debt	(1,368,485)
Principal payments on leases	(724,337)
Principal payments on subscription IT liabilities	(349,414)
Interest paid	(499,558)
Capital contributions	419,888
Net Cash used for Capital and Capital Related Financing Activities	(4,297,901)
Investing Activities	
Purchases of investments	(407,968)
Distributions of noncurrent cash and investments	171,523
Net Cash used for Investing Activities	(236,445)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(8,033,096)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	8,226,652
Cash, End of Year	$ 193,556

Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	$ (2,637,674)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation and amortization	3,562,092
Provision for bad debts	2,343,873
Changes in assets and liabilities	
Patient receivables	(2,805,872)
Estimated third-party payor settlements	(812,972)
Supplies	(262,579)
Prepaid expenses	90,527
Accounts payable	(248,486)
Accrued salaries, compensated absences, and other	(626,553)
Net Cash used for Operating Activities	$ (1,397,644)
Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities	
Lease liability for the acquisition of right to use leased assets	$ 1,150,387
Subscription IT liability for the acquisition of a right to use subscription asset	$ 564,053
Loss on transfer of healthcare operations, net of cash and restricted cash	$ 10,527,401

Park Hospital District
Statement of Financial Position—Discretely Presented Component Unit
Estes Park Medical Center Foundation
December 31, 2025

Assets	
Current Assets	
Cash and cash equivalents	$ 60,607
Promises to give	89
Total current assets	60,696
Other Assets	
Property and equipment, net	2,537
Investments	5,288,971
Total other assets	5,291,508
Total assets	$ 5,352,204
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued liabilities	$ 23,510
Net Assets	
Without donor restrictions	1,909,508
With donor restrictions	3,419,186
Total net assets	5,328,694
Total liabilities and net assets	$ 5,352,204

Park Hospital District

Statement of Activities and Changes in Net Assets—Discretely Presented Component Unit
Estes Park Medical Center Foundation
Year Ended December 31, 2025

Revenues and Other Support Without Donor Restrictions	
Contributions	$ 24,307
Net investment return	361,293
Net assets released from restrictions	693,406
Total revenue and gains	1,079,006
Expenses	
Grants and contributions to Estes Park Heath	475,695
Salaries and benefits	111,698
Advertising and marketing	80,932
Professional fees	99,250
Office and other	93,018
Total expenses	860,593
Change in Net Assets Without Donor Restrictions	218,413
Changes in Net Assets With Donor Restrictions	
Contributions	591,289
Restricted investment return	217,711
Net assets released from restrictions	(693,406)
Change in Net Assets With Donor Restrictions	115,594
Change in Net Assets	334,007
Net Assets, Beginning of the year	4,994,687
Net Assets, End of Year	$ 5,328,694

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

The District operates a 23-bed critical access hospital (Hospital) and the Family District (Clinic), located in Estes Park, Colorado. The District is organized as a political subdivision of the State of Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The District is governed by a Board of Directors consisting of five members elected by the residents of the District. The District is not a component unit of another governmental entity. Effective December 1, 2025, the District transferred the operations of the Hospital and Clinic to UCHealth. Pursuant to this arrangement, substantially all of the District's operations, assets, and certain liabilities were transferred to, assumed, and are operated by UCHealth under executed agreements, while the District retains legal ownership of the certain assets, primarily the real property. As a result, UCHealth assumed responsibility for the management and operations of the Hospital and Clinic (See Note 10).

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District 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 District are such that the exclusion would cause the District'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 District 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 District.

Discretely Presented Component Unit

The Estes Park Medical Center Foundation (Foundation) is a 501(c)(3) organization whose sole purpose is to support the District. The Foundation conducts fundraising campaigns on behalf of the District. The Foundation has been determined to be a component unit and is presented as a discretely presented component unit in the District'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

Measurement focus 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 GAAP. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the District's assets, 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 right of use assets reduced by the outstanding balances of any related debt obligations, lease liabilities, subscription 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 District.

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 District'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 GAAP 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.

Patient Receivables, Net

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient 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 receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient 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 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.

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. 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 District'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. The amortization period varies from 3 to 20 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. Amortization is included in depreciation and amortization in the financial statements. The amortization period varies from 2 to 5 years.

Impairment of Long-Lived Assets

The District considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of assets is appropriate. No impairment was identified for the year ended December 31, 2025.

Compensated Absences

The District'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. The liability for compensated absences is calculated using current pay rates and includes salary-related payments that are directly and incrementally associated with payments for leave, such as payroll taxes and certain employee benefits.

Estimated Health Claims Payable

The District provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves 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.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription Liabilities

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the District.

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 District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the District result from exchange transactions associated with providing health care services - the District'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 Service Revenue

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, 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 District 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 District paid approximately $1,426,000 in CHASE fees for the year ended December 31, 2025, which was recorded in operating expenses. The District received approximately $5,377,000 of supplemental payments for the year ended December 31, 2025, which is recorded as part of net patient service revenue.

Grants and Contributions

The District 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 revenues in excess of expenses.

Budgets

The District 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.

Note 2 - Net Patient Service Revenue

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

Medicare – The District is licensed as a Critical Access Hospital (CAH). The District is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the District and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The District's Medicare cost reports have been audited by the MAC through the year ended December 31, 2022. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid – Inpatient services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

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

Concentration of gross revenues by major payor accounted for the following percentages of the District's patient service revenues for the year ended December 31, 2025:

Medicare	35%
Medicaid	10%
Other third-party payors	52%
Self pay	3%
	100%

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.

Note 3 - Deposits and Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure or investment company failure, the District'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 District'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, 2025, the District's deposits in banks were entirely covered by federal depository insurance and PDPA.

Note 4 - Capital Assets

Capital asset additions, transfers, retirements, and balances for the year ended December 31, 2025 are as follows:

	Balance, December 31, 2024	Additions	Transfers and Disposals	Balance, December 31, 2025
Capital Assets Not Being Depreciated				
Land	$ 513,973	$ -	$ -	$ 513,973
Construction in progress	132,860	695,304	-	828,164
Total capital assets not being depreciated	$ 646,833	$ 695,304	$ -	$ 1,342,137
Capital Assets Being Depreciated				
Land improvements	$ 842,885	$ 164,752	$ -	$ 1,007,637
Building	43,360,237	83,781	-	43,444,018
Equipment and vehicles	14,307,907	770,601	(15,078,508)	-
Total capital assets being depreciated	58,511,029	1,019,134	(15,078,508)	44,451,655
Accumulated Depreciation				
Land improvements	(605,697)	(53,198)	-	(658,895)
Building	(21,544,220)	(1,319,618)	-	(22,863,838)
Equipment and vehicles	(9,514,644)	(1,065,558)	10,580,202	-
Total accumulated depreciation	(31,664,561)	$ (2,438,374)	$ 10,580,202	(23,522,733)
Net Depreciable Capital Assets	$ 26,846,468			$ 20,928,922
Right to Use Leased Assets being amortized				
Building	$ 6,843,826	$ -	$ (6,843,826)	$ -
Equipment	2,812,563	1,150,387	(3,962,950)	-
Total right to use leased assets being amortized	9,656,389	1,150,387	(10,806,776)	-
Accumulated Amortization				
Building	(1,568,376)	(313,675)	1,882,051	-
Equipment	(1,871,799)	(419,601)	2,291,400	-
Total accumulated amortization	(3,440,175)	$ (733,276)	$ 4,173,451	-
Net Right to Use Leased Assets	$ 6,216,214			$ -
Right to Use Subscription IT Assets	$ 1,482,269	$ 564,053	$ (2,046,322)	$ -
Less Accumulated Amortization	(894,984)	(390,442)	1,285,426	-
Net Right to Use Subscription It Assets	$ 587,285	$ 173,611	$ (760,896)	$ -
Capital Assets, Net	$ 34,296,800			$ 22,271,059

Note 5 - Lease Obligations

The District 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 District pays monthly base rents ranging from $123 to $35,665, with incremental borrowing rates ranging from 0.78% to 7.18% based on similar borrowing arrangements. As noted in Note 10, all lease obligations were transferred to UCHealth effective December 1, 2025.

Note 6 - Long-Term Liabilities

A schedule of changes in the District's long-term liabilities for 2025 is as follows:

	Balance, December 31, 2024	Additions	Reductions or Payments	Balance, December 31, 2025	Due Within One Year
Promissory Notes, Series 2016	$ 9,030,000	$ -	$ (9,030,000)	$ -	$ -
2020 Promissory Note	1,625,048	-	(1,625,048)	-	-
Leases (Note 5)	6,481,958	1,150,387	(7,632,345)	-	-
IT Subscriptions (Note 7)	480,682	564,053	(1,044,735)	-	-
Compensated Absences*	842,745	-	(842,745)	-	-
	$ 18,460,433	$ 1,714,440	$(20,174,873)	$ -	$ -

*The change in the compensated absences liability is presented as a net change.

Promissory Notes, Series 2016

During 2016, the District 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 District's pledged revenues. In accordance with the lease agreement, this obligation was transferred to UCHealth, as described in Note 10.

2020 Promissory Note

The District 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%. The promissory note is secured by a certificate of deposit held by the financial institution. In accordance with the lease agreement, this obligation was transferred to UCHealth, as described in Note 10.

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

The District has entered into various SBITA contracts, primarily for electronic health record and general ledger software subscriptions, as well as other minor software subscriptions. The District utilized incremental borrowing rates ranging from 1.25% to 5.14%, consistent with similar borrowing arrangements. As noted in Note 10, all SBITA obligations were transferred to UCHealth effective December 1, 2025.

Note 8 - Pension Plan

The District 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 year ended December 31, 2025 was approximately $1,526,000.

Note 9 - Contingencies

Risk Management

The District 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 District 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 District 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 District.

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 District is self-funded for health benefits for eligible employees and their dependents. The District, 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 District. The District has stop loss insurance to cover catastrophic claims in excess of $75,000 per claim and an annual aggregate limit of approximately $4,400,000 for the plan year ended December 31, 2025.

The District 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. These amounts have been estimated based on historical trends and actuarial analysis.

Changes in the balance of claims liabilities during the year ended December 31, 2025, are as follows:

Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Transfers (Note 10)	Ending Liability
$ 500,000	$ 725,278	$ (1,882,856)	$ (657,578)	$ -

Paycheck Protection Program (PPP) Loan Review

The District applied for and received loan forgiveness from the Small Business Administration (SBA) on its PPP loan in 2021. In accordance with PPP loan requirements, the District is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The District 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.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit), a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,000 per quarter. The District's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

Note 10 - Transfer of Operations

Effective December 1, 2025, the District entered into a Health System Operating Lease Agreement (Lease Agreement) with the University of Colorado Health (UCHealth), the purpose of which was to ensure the continued provision of healthcare services in the Estes Park service area. Pursuant to such agreement, substantially all of the District's assets and liabilities, with the exception of real property held by the District and certain excluded liabilities, were transferred to and assumed by UCHealth. There was no consideration exchanged by either party in the transaction. Therefore, the loss on transfer of hospital operations was calculated as the difference between the assets and liabilities that were transferred to and assumed by UCHealth. Additionally, on the effective date, UCHealth assumed responsibility for the healthcare operations previously managed by the District. The real property is being leased back to UCHealth for an annual fee of $1, due on each anniversary date of the agreement. UCHealth was also required to establish a specific escrow fund to assist in satisfying certain liabilities of the District as detailed in the Lease Agreement. As a result of the transaction, the District will maintain its taxing authority, but will continue to support the healthcare operations by providing collected tax revenue to UCHealth in support of the newly created UCHealth Estes Valley Medical Center, except for a specified administrative portion in the amount of $200,000 to be maintained by the District to support ongoing and historical administrative expenses related to the District's continued operations.

Revenues and expenses incurred and recorded through the effective date (period from 1/1/2025-11/30/2025) are summarized as follows:

Total Operating Revenues	$ 56,616,112
Total Operating Expenses	$ 59,047,550
Nonoperating Revenues, Net	$ 3,108,085
Capital Contributions	$ 419,888

The District's loss on transfer of the healthcare operations to UCHealth was calculated as the difference between the assets and liabilities transferred to UCHealth on the effective date. Below is a summary of such amounts:

Assets	
Cash, cash equivalents and restricted cash	$ 8,265,765
Assets held as collateral for debt agreement	1,431,564
Patient and other receivables, net	6,126,595
Supplies	1,346,884
Prepaid expenses	366,564
Investments	10,758,071
Right of use assets, net	7,189,253
Moveable equipment, net	4,472,652
Total assets transferred	39,957,348
Liabilities	
Accounts payable	1,432,177
Interest payable	95,140
Estimated third-party payor settlements	787,028
Accrued expenses	2,159,865
Lont-term debt	9,286,563
Lease liabilities	6,908,801
Subscription IT liabilities	494,608
Total liabilities transferred	21,164,182
Loss on transfer of healthcare operations	$ (18,793,166)

Required Supplementary Information
December 31, 2025

Park Hospital District

Park Hospital District
Schedule of Revenues and Expenses – Budget and Actual
Year Ended December 31, 2025

	Budget	Actual	Variance Favorable/ (Unfavorable)
Operating Revenue			
Net patient service revenue	$ 55,615,168	$ 56,354,947	$ 739,779
Other revenue	205,274	261,165	55,891
Total operating revenue	55,820,442	56,616,112	795,670
Nonoperating Revenues (Expense)			
Property tax revenues	3,947,504	4,003,969	56,465
Interest expense	(455,651)	(442,285)	13,366
Capital contributions	160,413	419,888	259,475
Noncapital contributions and grants	22,917	15,402	(7,515)
Loss on disposal of capital assets	-	(59,696)	(59,696)
Investment income	288,750	956,519	667,769
Other nonoperating expenses	(219,600)	(1,319,470)	(1,099,870)
Total nonoperating revenue (expense), net	3,744,333	3,574,327	(170,006)
Total revenues	$ 59,564,775	$ 60,190,439	$ 625,664
Expenses			
Salaries, wages, and employee benefits	$ 31,637,102	$ 29,670,657	$ 1,966,445
Supplies and other	10,597,612	10,799,453	(201,841)
Professional fees and purchased services	12,057,167	15,221,584	(3,164,417)
Depreciation and amortization	3,373,220	3,562,092	(188,872)
Total expenses	57,665,101	59,253,786	(1,588,685)
Debt Retirement			
Principal paid	1,389,528	1,368,485	21,043
Total expenditures	$ 59,054,629	$ 60,622,271	$ (1,567,642)

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, 2025, there were no additional resolutions for supplementary budget and appropriation.

3. Management believes that the District 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*

To the Board of Directors
Park Hospital District
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 (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component unit of Park Hospital District (District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 22, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Denver, Colorado
July 22, 2026

Financial Statement Findings

None reported.