



EAGLE COUNTY HEALTH SERVICE DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 14, 2017

Board of Directors
Eagle County Health Service District
Edwards, Colorado

Report on the Financial Statements

We have audited the accompanying statement of net position of Eagle County Health Service District as of December 31, 2016 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Board of Directors
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April 14, 2017

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle County Health Service District as of December 31, 2016 and the changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 7 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 do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Eagle County Health Service District’s basic financial statements. The budgetary schedule and property tax statistical schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary schedule 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. The information has been subjected to the auditing procedures applied in the audit of 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The property tax statistical schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Chadwick, Steinkirchner, Davis & Co., P.C.

EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights:

- Cash position improved from \$4,364,956 on December 31, 2015 to \$4,621,198 on December 31, 2016.
- Net A/R decreased from \$1,314,080 to \$910,394 due to an increase in allowances from \$391,000 to \$950,000. Management developed a new methodology for valuing A/R based upon new collection information from 2016.
- Net 911 calls increased by 2.6% over 2015. While transfer volume dropped 3.5% from 346 in 2015 to 334 in 2016, transports remained almost the exact same from 3,130 in 2015 to 3,137 in 2016.
- Gross patient revenue stayed very consistent year over year, moving from \$5,743,326 in 2015 to \$5,794,139 in 2016. Net patient revenue decreased by \$612,781 or 18.7%. This sharp decrease is related to the change in valuation of the patient A/R.
- Mill levy revenue collections increased from \$4,809,812 in 2015 to \$5,461,558 in 2016 or 13.5%.
- The Mill levy revenue increase offset the decrease in net patient service revenue. The driver for the change in net income (loss) was the decrease in expenses from \$9,143,878 in 2015 to \$9,000,376 in 2016. Therefore, the net loss improved from (\$813,795) in 2015 to (\$664,954) in 2016.

Overview of Financial Statements

The financial statements of the District are presented as a special purpose government engaged only in business-type activities – providing ambulance, medical transportation, and emergency medical service.

The *Statement of Net Position* presents information on all the District's assets, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the District's cash flows from operating, capital and related financing, and investing activities.

These financial statements distinguish functions of the District that will be principally supported by service charges. The functions of the District include effective and economical operation of ambulance, medical transportation, and emergency medical services within the jurisdictional boundaries of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

SUMMARY OF NET POSITION

ASSETS	<u>2016</u>	<u>2015</u>
Current assets - Cash	\$ 4,621,198	\$ 4,364,956
Patient receivables	910,394	1,314,080
Property taxes receivable	7,516,983	5,469,129
Other current assets	29,734	118,942
Other noncurrent assets	1,034,245	1,185,762
Capital assets, net	<u>12,617,402</u>	<u>12,991,231</u>
TOTAL ASSETS	<u>26,729,956</u>	<u>25,444,100</u>
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	784,865	881,909
Long-term liabilities	-	-
Deferred inflows	<u>7,516,983</u>	<u>5,469,129</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>8,301,848</u>	<u>6,351,038</u>
NET POSITION		
Net investment in capital assets	12,617,402	12,991,231
Restricted for Emergency reserve	254,979	253,232
Unrestricted	<u>5,555,727</u>	<u>5,848,599</u>
TOTAL NET POSITION	<u>\$ 18,428,108</u>	<u>\$ 19,093,062</u>

In 2016, assets exceeded liabilities and deferred inflows by \$18,428,108. Property taxes receivable and deferred relate to amounts to be collected and recognized as revenue in 2017. Changes in District assets, liabilities, and deferred inflows were as follows:

Total assets of the District increased by \$1,285,856 due to:

- Cash increased by \$256,242 due to an improvement in mill levy income and an improvement in the net cash used by operating activities. Patient cash collections increased by \$175,408.
- Patient receivables fell by \$403,686 due to the increase in A/R reserves. In 2015, the A/R reserve only accounted for about 22% of total A/R, whereas it was adjusted to 51% in 2016. Thus, the financial results in 2016 reflect a correction in the A/R reserves greater than what would normally be expected. Would the A/R have been reserved at a similar rate in both 2015 and 2016, the financial results for 2016 would show a loss of \$385,696 rather than \$664,954.

- Capital assets of the District decreased due to depreciation exceeding the rate of the purchase of new capital equipment. Management largely deferred capital expenditures in order to preserve cash in reaction to the decrease in cash of \$426,831 in 2015.
- Current liabilities dropped due to a decrease in AP and payroll accruals.
- Deferred inflows increased related to the increase in expected mill levy property taxes.

One of the largest portions of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The next largest portion of the District's net position is unrestricted. We have seen a steady decline in unrestricted net position due to expenditures exceeding total revenue for the last several years.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ending December 31,	<u>2016</u>	<u>2015</u>
REVENUE		
OPERATING REVENUE		
Ambulance service revenue, net	\$ 2,663,332	\$3,276,113
NONOPERATING REVENUE		
Property taxes	5,461,558	4,809,812
Specific ownership taxes	267,183	283,456
Net investment income	41,635	22,130
Other	<u>65,591</u>	<u>82,949</u>
Total non-operating revenue	<u>5,835,967</u>	<u>5,198,347</u>
Total revenue	<u>8,499,299</u>	<u>8,474,460</u>
EXPENSES		
OPERATING EXPENSES		
Ambulance services	9,000,376	9,143,878
NONOPERATING EXPENSES		
County Treasurer's collection fees	163,877	144,377
Interest expenses	<u>-</u>	<u>-</u>
Total non-operating expenses	<u>163,877</u>	<u>144,377</u>
Total expenses	<u>9,164,253</u>	<u>9,288,255</u>
CHANGE IN NET POSITION	(664,954)	(813,795)
NET POSITION – BEGINNING OF YEAR	<u>19,093,062</u>	<u>19,906,857</u>
NET POSITION – END OF YEAR	<u>\$18,428,108</u>	<u>\$19,093,062</u>

Total revenue for the District increased by \$24,839 over 2015 due to the large increase in mill levy property tax revenue, which offset the decline in patient revenue.

Total expenses decreased by \$124,002 due to a reduction in salary expense through staff attrition, decreased spending on staff training, and lower supply costs.

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.” This budgetary accounting is required by State statute.

- Gross revenues nearly matched the budget – actual was \$5,794,139 compared to a budget of \$5,798,900
- Expenses were substantially under budget – actual was \$9,657,403 compared to a budget of \$10,778,229

Management adjusted expenditures below budget in order to help address the projected shortfall between revenues and expenses. The primary adjustments were in salary expense, which came in \$498,327 below budget.

Capital Assets

Investment in capital assets includes land, buildings and improvements and transportation and other equipment. Analysis of changes in capital assets was as follows:

	CAPITAL ASSETS (net of accumulated depreciation)	
As of December 31,	2016	2015
Land	\$ 1,042,148	\$ 1,042,148
Construction in progress	0	0
Transportation and other equipment	944,722	954,524
Buildings and improvements	<u>10,630,532</u>	<u>10,994,559</u>
	<u>\$ 12,617,402</u>	<u>\$12,991,231</u>

Similar to the foregoing conversation, management purposefully put off the purchase of additional capital in order to preserve cash. Management is beginning to plan for a fund to expected future purchases of capital including land and buildings.

Long-term obligations

The District has no long-term obligations.

Economic Factors and Next Year's Budgets and Rates

- Overall economic conditions are expected to be stable in 2017. A sharp increase in real estate prices in 2015-2016 continues to exert upward pressure on the cost of labor. But the organization experiences low turnover, in particular, relative to its industry. This mitigates some of the effect.
- The nearest major metropolitan center, Denver, has experienced substantial growth, which has helped drive a relatively strong local economy. This has a positive impact on the economic conditions in the area.
- Risks to the entity include events such as warmer than expected weather or low snowfall in the winter or forest fires or floods in the summer, which could adversely affect the area's largest industry, tourism. The area also has a large percentage of second homeowners and tourism from outside the nearby metro center and outside the country. Global or national economic factors could also have an impact on the organization's business.
- Rates were increased by about 6% in 2017 after two years of holding rates constant. This was made to more closely align the charges with the cost of providing care.
- A mill levy increase of .75 was approved in May of 2016. This, along with increases in property value, is driving the expected mill levy revenue up from \$5,469,129 in 2016 to \$7,516,983, an increase of \$2,047,854.
- 2017 has started off with another moderate increase in emergency call responses. Billable runs are comparable to the prior year through the first quarter, with growth in transfers.
- Management expects to maintain similar expense levels to 2016 while implementing staff salary increases, which have been withheld for years because of adverse financial performance.
- The increase in mill levy revenue is primarily intended to grow the organization's cash reserves and allow for higher levels of capital purchases to address delayed replacements of ambulances and other equipment.

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be address to Ryan White, Chief Financial Officer, PO Box 990, Edwards, Colorado 81632.

Eagle County Health Service District

STATEMENT OF NET POSITION

December 31, 2016

ASSETS		
Current assets		
Cash and cash equivalents		\$ 4,621,198
Receivables		
Patient, net of allowances of \$950,000		910,394
Property taxes		7,516,983
Prepaid expenses		29,734
	Total current assets	<u>13,078,309</u>
Noncurrent assets		
Employee notes receivable		1,034,245
Capital assets, net of depreciation		12,617,402
	Total assets	<u>26,729,956</u>
LIABILITIES		
Current liabilities		
Accounts payable		92,417
Accrued payroll and compensated absences		692,448
	Total current liabilities	<u>784,865</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes		<u>7,516,983</u>
	Total deferred inflows of resources	<u>7,516,983</u>
	Total liabilities and deferred inflows of resources	<u>8,301,848</u>
NET POSITION		
Net investment in capital assets		12,617,402
Restricted for emergencies		254,979
Unrestricted		5,555,727
	Total net position	<u><u>\$ 18,428,108</u></u>

The accompanying notes are an integral part of this statement.

Eagle County Health Service District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended December 31, 2016

Operating revenues		
Charges for services, net		\$ 2,663,332
Operating expenses		
Salaries and employee benefits		6,899,255
Supplies and materials		271,060
Depreciation		720,155
Collection fees		24,641
Repairs and maintenance		152,511
Utilities		161,074
Professional development		45,047
Directors' fees		6,300
Audit and accounting fees		9,200
Insurance		65,775
Legal		43,087
Contracted services		395,975
Communications		41,093
Community service		21,159
Housing		16,975
Miscellaneous		127,069
	Total operating expenses	<u>9,000,376</u>
	Operating income (loss)	(6,337,044)
Non-operating revenues (expenses)		
Property taxes		5,461,558
Specific ownership tax		267,183
Other income		61,091
Interest earned		41,635
Rent		4,400
Grants		100
County Treasurer's collection fees		(163,877)
	Total non-operating revenues (expenses)	<u>5,672,090</u>
Change in net position		(664,954)
Net position, beginning of year		<u>19,093,062</u>
Net position, end of year		<u><u>\$ 18,428,108</u></u>

The accompanying notes are an integral part of this statement.

Eagle County Health Service District

STATEMENT OF CASH FLOWS

Year ended December 31, 2016

Cash flows from operating activities	
Cash received from charges for services	\$ 3,067,018
Cash payments to suppliers	(1,352,760)
Cash payments to employees	(6,935,297)
Net cash provided by (used in) operating activities	<u>(5,221,039)</u>
Cash flows from noncapital financing activities	
Cash received from property tax collections	5,728,741
Treasurer fees paid	(163,877)
Cash from contributions and rents	4,500
Other receipts	61,091
Net cash provided by (used in) noncapital financing activities	<u>5,630,455</u>
Cash flows from capital and related financing activities	
Purchase of equipment	(346,326)
Net cash provided by (used in) capital and related financing activities	<u>(346,326)</u>
Cash flows from investing activities	
Interest received	41,635
Proceeds from payments on loans receivable	151,517
Net cash provided by (used in) investing activities	<u>193,152</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	256,242
Cash and cash equivalents at the beginning of the year	4,364,956
Cash and cash equivalents at the end of the year	<u><u>\$ 4,621,198</u></u>
Reconciliation of Operating Loss to Net Cash	
Provided by (Used in) Operating Activities	
Operating loss	\$ (6,337,044)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	720,155
Change in assets and liabilities	
(Increase) decrease in accounts receivable	403,686
(Increase) decrease in prepaid expense	89,208
Increase (decrease) in accounts payable	(61,002)
Increase (decrease) in accrued liabilities	(36,042)
Total adjustments	<u>1,116,005</u>
Net cash provided by (used in) operating activities	<u><u>\$ (5,221,039)</u></u>

The accompanying notes are an integral part of this statement.

Eagle County Health Service District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. History and Activity

Eagle County Health Service District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Eagle County, Colorado. According to Colorado Revised Statute (C.R.S.), the District may establish, maintain or operate, directly or indirectly through lease to or from other parties or other arrangement, public hospitals, convalescent center, nursing care facilities, intermediate care facilities, emergency facilities, community clinics, or other facilities licensed or certified pursuant to section 25-1.5-103(1)(a), C.R.S., providing health and personal care services and may organize, own, operate, control, direct, manage, contract for, or furnish ambulance service. Currently, the District is providing ambulance and personal care services.

2. Reporting Entity

The reporting entity of the District includes those activities and functions over which the District is considered to be financially accountable. The District's financial statements include the accounts and operations of all of the District's functions. The District is the primary government and does not include any component units using the criteria set forth in generally accepted accounting principles.

The District is a special-purpose government engaged only in a business-type activity. For this type of government, only enterprise fund financial statements are presented.

3. Basis of Presentation – Fund Accounting

The accounts of the District are organized and operated on a fund basis. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, net position, revenues and expenses. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to those applicable to businesses in the private sector.

GASB Statement No. 34, as amended, sets forth minimum criteria for the determination of major funds to be presented in the financial statements. Since the operations of the District are accounted for on a fund basis in a single enterprise fund, it is the only fund presented.

Enterprise funds may be used to account for operation (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Eagle County Health Service District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues or 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. Proprietary (enterprise) funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows associated with the operation of a fund are included on the statements of net position. Net position is categorized as net investment in capital assets; restricted for emergencies; and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The District uses the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods and/or services within the scope of the enterprise operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues from grants are recognized in the year in which all eligibility requirements have been satisfied.

5. Budgets and Budgetary Accounting

The annual budget is prepared and approved by the Board of Directors in accordance with Colorado Revised Statutes. Each fall the District's Board of Directors holds public hearings to approve the budget and appropriate the funds for the upcoming year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The Board can only modify the appropriation after notification and publication requirement have been met. There were no supplemental appropriations adopted for the 2016 year.

The budget basis of accounting differs from the GAAP basis in that depreciation is excluded from expenditures, outlay for the acquisition of capital assets is included as expenditures, additions to employee housing loans are included as expenditures, and payments on employee housing loans are included as revenue.

6. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

Eagle County Health Service District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Capital Assets

Capital assets (property, plant and equipment) are recorded at cost. The District's capitalization level is \$5,000 for individual capital assets. Maintenance repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on the disposition of property and equipment are included in income.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

	<u>Estimated Lives</u>
Buildings and improvements	5 to 40 years
Transportation and other equipment	3 to 10 years

8. Compensated Absences

The District allows employees to accumulated unused vacation benefits up to certain maximum hours based on the number of years the employee has worked for the District. Accumulated unpaid leave, if material, is accrued when incurred.

9. Risk Management

The District purchases commercial insurance to manage its risk of loss for all manners of risk (i.e., liability, malpractice, workers compensation, etc.). There have been no reductions in insurance coverage or settlements exceeding insurance coverage for the past three years.

10. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and deferred inflows, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

11. Patient Accounts Receivable

The District reports patient accounts receivable for services rendered net of allowance for doubtful accounts and contractual adjustments. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection and individual analysis of accounts.

Eagle County Health Service District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Net Position

Net position of the District is classified in three components. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, and reduced by any outstanding borrowing used to finance the purchase or construction of those assets. Restricted net position is non-capital assets that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the District. The District currently has restricted net position for emergencies. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

13. Net Patient Service Revenue

The District has agreements with Medicaid and Medicare that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts. The contractual write-offs for Medicaid and Medicare were \$2,140,839 for 2016. The District also receives requests for public service assistance consideration. The Board reviews these requests, and upon approval, these accounts are written off. The assistance given was \$50,576 in 2016.

14. Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

COLOTRUST (Colorado Local Government Liquid Asset Trust) is a Level 2 investment in the fair value hierarchy established by GASB Statement 72 and is valued using significant other inputs other than quoted market prices in active markets for similar securities.

NOTE B – DEPOSITS AND INVESTMENTS

Cash Deposits

The District's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The District is in compliance with PDPA requirements. The District's bank deposits at December 31, 2016 were \$554,135 of which \$250,000 was insured and the remainder of \$304,135 was covered by PDPA as discussed above.

Eagle County Health Service District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

At December 31, 2016 the District's cash deposits had a carrying value as follows:

Cash in banks	<u>\$ 381,022</u>
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Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

Investments, at fair value, of the District at December 31, 2016 are as follows:

Public entity investment pools (COLOTRUST – Level 2)	<u>\$ 4,240,176</u>
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At December 31, 2016, the District had invested \$4,240,176 in the Colorado Government Liquid Asset Trust (COLOTRUST), which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments in the trust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. Designated custodial banks provide safekeeping and depository services to the trust in connection with the direct investment and withdrawal functions of the trust. Substantially all securities owned are held by the Federal Reserve Bank in the accounts maintained for the custodial banks. The custodians' internal records identify the investments owned by the trust.

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes do not allow investment maturities to exceed five years.

Credit risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of December 31, 2016, the public investment pool, COLOTRUST, was rated AAAM by Standard & Poor's Corporation.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Eagle County Health Service District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Concentration of Credit Risk – The District does not have a policy regarding concentration in any single investment. As of December 31, 2016, the District held its investments as follows: \$68,629 invested in COLOTRUST PRIME and \$4,171,547 invested in COLOTRUST PLUS. Investments in COLOTRUST equal 100% of the District’s total investments.

NOTE C – PROPERTY TAXES

Property taxes for 2016, collectible in 2017, were certified by the Eagle County Commissioners before December 31, 2016. Property taxes attached as an enforceable lien on January 1, 2017 and are due in total April 30, 2017 or in equal installments February 28, 2017 and June 15, 2017, at the option of the taxpayer. Property taxes for 2016, collectible in 2017, are shown as property taxes receivable and deferred inflows on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

NOTE D – CAPITAL ASSETS

At December 31, 2016, capital asset transactions and balances include the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 1,042,148	\$ -	\$ -	\$ 1,042,148
Total non-depreciable capital assets	1,042,148	-	-	1,042,148
Depreciable assets:				
Buildings and improvements	14,294,931	-	-	14,294,931
Transportation and other equipment	<u>3,554,232</u>	<u>346,326</u>	<u>309,152</u>	<u>3,591,406</u>
Total capital assets, being depreciated	17,849,163	346,326	309,152	17,886,337
Less accumulated depreciation for:				
Buildings and improvements	3,300,372	364,027	-	3,664,399
Transportation and other equipment	<u>2,599,708</u>	<u>356,128</u>	<u>309,152</u>	<u>2,646,684</u>
Total accumulated depreciation	<u>5,900,080</u>	<u>720,155</u>	<u>309,152</u>	<u>6,311,083</u>
Total capital assets, being depreciated	<u>11,949,083</u>	<u>(373,829)</u>	<u>-</u>	<u>11,575,254</u>
Total capital assets, net	<u>\$ 12,991,231</u>	<u>\$ (373,829)</u>	<u>\$ -</u>	<u>\$ 12,617,402</u>

Eagle County Health Service District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE E – LEASE AGREEMENTS

The District, as tenant, has entered into a land lease agreement with Vail Clinic, Inc. to lease the land on which one of the District's ambulance garages is located. The lease term is for forty years through December 31, 2023 and the annual rental is nominal. However, under the terms of the contract, Vail Clinic, Inc. may demand a recalculated rent by giving six months written notice. The recalculated rent would be based upon 12% of the fair market value of the building and improvements and can only be recalculated once every five years as set forth within the land lease agreement. The District and Clinic are currently in negotiations regarding the lease as the building in which the garage is located will be destroyed.

The District, as landlord, has entered into a lease agreement as of November 1, 2011 with Eagle County, Colorado to lease certain real property to be used by Mountain Rescue. The lease term is for twenty-five years through October 31, 2036. The term may be extended for five additional five-year terms at the option of the tenant. The annual rental is nominal. However, under the terms of the contract, if the status of Mountain Rescue as a nonprofit corporation should change in any way during the term of the lease, the District shall have the option of increasing the annual rent payable to not more than 12% of the real estate value of the leasehold estate.

NOTE F – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment as they have interpreted it.

The Taxpayer's Bill of Rights (TABOR) requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District's reserve for 2016 is \$254,979.

On May 7, 1996, the voters authorized the District, effective January 1, 1995, to collect, retain and spend all revenue and other funds collected without limitation under TABOR, provided that the general mill levy not be increased without voter approval.

On May 7, 2002, the voters authorized the District, effective January 1, 2003, to increase the District tax rate by an additional 1.253 mills, for general operating purposes, resulting in a total District general operating mill levy rate, exclusive of refunds, abatements or debt service, not to exceed 2.0 mills. The voters also authorized the District to collect, retain and spend all tax revenue and other revenue received from any source, effective January 1, 2002, as a voter approved revenue change offset and exception to the limits which would otherwise apply under TABOR, and as a permanent waiver of the 5.5% limitation under Section 29-1-301.

Eagle County Health Service District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – TAX, SPENDING AND DEBT LIMITATIONS – CONTINUED

On May 3, 2016, the voters authorized the District, effective January 1, 2017, to increase the District tax rate by an additional .75 mills, for general operating purposes, resulting in a total District general operating mill levy rate, exclusive of refunds, abatements or debt service, not to exceed 2.75 mills. Previously, the voters also authorized the District to collect, retain and spend all tax revenue and other revenue received from any source, effective January 1, 2002, as a voter approved revenue change offset and exception to the limits which would otherwise apply under TABOR, and as a permanent waiver of the 5.5% limitation under Section 29-1-301.

NOTE G – PENSION PLAN

The employees of the District participate in a defined contribution pension plan, created in accordance with Internal Revenue Code Section 401(a). The plan is maintained and administered by a third party administrator. In a single employer defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become eligible to participate in the District's contribution on the first day of the month following employment. Under this plan, the District pays 10% of the employee's compensation for full-time employees with 0 to 36 months of vesting service and 18% of the employee's compensation for full-time employees with 37 or more months of vesting service with the District. The District's contributions, plus earnings, become vested immediately. There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

The District made the required contributions of \$708,415 for the year ended 2016. No employee contributions were made as all employees contribute to the IRS 457(b) deferred compensation plan created by the District. Employees may contribute up to the statutory IRS limitations to the 457(b) plan.

NOTE H – EMPLOYEE NOTES RECEIVABLE

The District has an employee housing program, whereby the District will loan monies to qualifying employees toward the purchase of a residence. There are currently nine loans outstanding ranging from \$43,020 to \$528,125, with a total balance of \$1,034,245 at December 31, 2016. Most loans have interest rates of 0% and are due five to thirty years from inception of the loan. The District has second deeds of trust on the real property as collateral for all but one of the loans, for which the District has a first deed of trust.

NOTE I – COMMITMENTS

The District previously pledged to pay \$100,000 to Augustana, related to a senior care center. The District paid \$33,333 of this pledge during 2016, leaving \$66,667 to be paid.

Eagle County Health Service District

SCHEDULE OF REVENUE AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Ambulance service revenues	\$ 5,798,900	\$ 5,798,900	\$ 5,794,812	\$ (4,088)
Property taxes	5,469,129	5,469,129	5,461,558	(7,571)
Specific ownership taxes	275,000	275,000	267,183	(7,817)
Interest income	20,000	20,000	41,635	21,635
Grants and donations	50,000	50,000	100	(49,900)
Other	221,850	221,850	217,008	(4,842)
Total revenues	<u>11,834,879</u>	<u>11,834,879</u>	<u>11,782,296</u>	<u>(52,583)</u>
Expenses				
Salary and wages	5,327,500	5,327,500	4,829,173	498,327
Payroll taxes and benefits	2,135,016	2,135,016	2,070,082	64,934
Contractual allowances and bad debts	3,015,428	3,015,428	3,131,480	(116,052)
Collection fees	43,492	43,492	24,641	18,851
Mountain rescue	5,000	5,000	1,650	3,350
Supplies and materials	335,150	335,150	271,060	64,090
Repairs and maintenance	189,492	189,492	152,511	36,981
Utilities	183,750	183,750	161,074	22,676
Professional development	165,915	165,915	45,047	120,868
Director's fees	6,000	6,000	6,300	(300)
Audit and accounting fees	10,000	10,000	9,200	800
Insurance	67,000	67,000	65,775	1,225
Legal	32,500	32,500	43,087	(10,587)
Contracted services	394,692	394,692	395,975	(1,283)
Communications	45,335	45,335	41,093	4,242
Community service	61,250	61,250	21,159	40,091
Miscellaneous	83,750	83,750	125,419	(41,669)
County Treasurer's fees	164,074	164,074	163,877	197
Contingency and emergency reserve	200,000	200,000	-	200,000
Capital outlay	318,500	318,500	346,326	(27,826)
Housing	24,000	24,000	16,975	7,025
Total expenditures	<u>12,807,844</u>	<u>12,807,844</u>	<u>11,921,904</u>	<u>885,940</u>
Excess revenue over (under) expenses	<u>\$ (972,965)</u>	<u>\$ (972,965)</u>	<u>(139,608)</u>	<u>\$ 833,357</u>
Adjustments to budgetary basis				
Less payments received on housing loans			(151,517)	
Add capital outlay			346,326	
Less depreciation			(720,155)	
Change in net position			<u>\$ (664,954)</u>	

Eagle County Health Service District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAX COLLECTIONS

December 31, 2016

Year Ended December 31.	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percent Collected to Levied
			Levied	Collected	
2000	\$ 1,336,538,850	.842	\$ 1,125,366	\$ 1,120,333	99.6%
2001	1,370,099,500	.842	1,153,623	1,164,763	100.9%
2002	1,606,789,550	.748	1,201,879	1,185,358	98.6%
2003	1,660,135,700	2.011	3,338,532	3,336,344	99.9%
2004	1,601,410,840	2.005	3,210,829	3,198,793	99.6%
2005	1,614,891,120	2.013	3,250,775	3,239,687	99.7%
2006	1,779,307,750	2.010	3,576,408	3,563,022	99.6%
2007	1,815,651,000	2.006	3,642,281	3,628,843	99.6%
2008	2,513,929,390	2.019	5,075,622	4,885,623	96.3%
2009	2,471,837,810	2.055	5,079,626	4,999,007	98.4%
2010	2,734,782,730	1.780	4,867,912	4,840,164	99.4%
2011	2,733,865,610	1.768	4,833,474	4,818,067	99.7%
2012	2,182,374,500	1.764	3,849,709	3,819,217	99.2%
2013	2,178,631,060	2.023	4,407,370	4,401,107	99.9%
2014 – ECHSD	2,217,722,650	2.006	4,280,310	4,239,765	99.1%
2014 - WECHSD	271,270,310	5.029	1,364,218	1,360,337	99.7%
2015	2,463,856,850	2.019	4,807,290	4,803,926	99.9%
2016	2,816,686,010	2.008	5,469,129	5,461,558	99.9%
2017	2,824,597,990	2.755	7,516,983		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.