

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT

FINANCIAL STATEMENTS

December 31, 2016



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**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
TABLE OF CONTENTS
December 31, 2016

	<u>PAGE</u>
Independent Auditors' Report	1
Basic Financial Statements	
Balance Sheet and Statement of Net Position	3
Statement of Activities	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5
Notes to the Basic Financial Statements	6
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund - Budget and Actual	11

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Mineral – Rio Grande Health Service District
Del Norte, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mineral – Rio Grande Health Service District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 from 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 auditors' 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Mineral – Rio Grande Health Service District, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 budgetary comparison information on page 11 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

May 31, 2017

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
BASIC FINANCIAL STATEMENTS

MINERAL - RIO GRANDE HEALTH SERVICE DISTRICT
BALANCE SHEET AND STATEMENT OF NET POSITION
December 31, 2016

	<u>GENERAL FUND BALANCE SHEET</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET POSITION</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 387,153	\$ -	\$ 387,153
Due from Other Governments	125,661	-	125,661
TOTAL ASSETS	<u>\$ 512,814</u>	<u>\$ -</u>	<u>\$ 512,814</u>
LIABILITIES			
Current Liabilities			
Contract Payable	\$ 6,942	\$ -	\$ 6,942
TOTAL LIABILITIES	<u>6,942</u>	<u>-</u>	<u>6,942</u>
FUND BALANCE			
Restricted:			
TABOR 3% Reserve	23,949	(23,949)	-
Unassigned	481,923	(481,923)	-
TOTAL FUND BALANCE	<u>505,872</u>	<u>(505,872)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 512,814</u>		
NET POSITION			
Restricted for TABOR		23,949	23,949
Unrestricted		481,923	481,923
TOTAL NET POSITION		<u>\$ 505,872</u>	<u>\$ 505,872</u>

The accompanying notes are an integral part of this financial statement.

MINERAL - RIO GRANDE HEALTH SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>GENERAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES		
Sales Tax	\$ 851,342	\$ 851,342
Interest Income	595	595
TOTAL REVENUES	<u>851,937</u>	<u>851,937</u>
EXPENDITURES		
Ambulance Services	408,365	408,365
Contributions for Other Health Care Services	325,500	325,500
Office Expense	168	168
Insurance	185	185
Mileage Reimbursement	290	290
Professional Fees	6,800	6,800
Director's Fees	3,750	3,750
TOTAL EXPENDITURES	<u>745,058</u>	<u>745,058</u>
Excess (Deficiency) of Revenues Over Expenditures	106,879	106,879
Fund Balance - Beginning of Year	<u>398,993</u>	<u>398,993</u>
Fund Balance - End of Year	<u>\$ 505,872</u>	<u>\$ 505,872</u>

The accompanying notes are an integral part of this financial statement.

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments, which are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The Mineral – Rio Grande Health Service District was organized in 1998 in accordance with Colorado Revised Statute 32-1-103.

The District is funded by the revenue generated by the existing six-tenths of one percent sales tax to provide funding for ambulance services and to contract for short-term health care services in both Mineral and Rio Grande Counties.

Component Units

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the District has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the District.

The Statement of Activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Taxes and other items not properly included in program revenues are reported as general revenues.

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government.

ASSETS, LIABILITIES, FUND BALANCE AND NET POSITION

Cash

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with maturity of three months or less.

Encumbrances

The District does not record purchase orders in the accounting system. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Net Position

Net position represents the difference between assets and liabilities, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are classified based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the five categories:

- *Nonspendable Fund Balance* – are amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – are amounts that can only be used for specific purposes as a result of constraints imposed through the adoption of a formal resolution by the Board of Directors, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance* – are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Directors or by an official or body to which governing body delegates the authority.
- *Unassigned Fund Balance* – are amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance/net position is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Mineral – Rio Grande Health Service District follows the procedures set forth in the Colorado Local Budget Law when preparing the annual budget. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board.
- 2) Publication of a notice stating that the budget is available for public inspection.

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The District did not adopt supplemental appropriations during fiscal year 2016.

All budget amounts presented reflect the original budget and the final amended budget, if applicable.

Stewardship

Total expenditures exceeded budgeted appropriations in the General Fund by \$7,139 during 2016. This may be a violation of Colorado Statute 29-1-110.

NOTE 3 CASH AND DEPOSITS

Cash and Deposits

A summary of cash for the District is as follows:

Cash in Banks and on Hand	<u>\$ 387,153</u>
Total Cash and Deposits on the Statement of Net Position	<u><u>\$ 387,153</u></u>

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At December 31, 2016, none of the District's cash was exposed to custodial credit risk.

NOTE 4 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include sales tax due from Mineral County and Rio Grande County. As of December 31, 2016, the District had \$125,661 due from the Counties, reflected as intergovernmental receivables in the accompanying basic financial statements.

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 TABOR EMERGENCY RESERVE

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.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue. The voters of the District approved a measure which allows the District to retain and spend revenue in excess of the limit.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as a reservation of fund balance in the General Fund where applicable. The entity is not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 6 CONTRACTED SERVICES

The District contracted with the Rio Grande County Ambulance District and the Mineral County Ambulance Service to provide for the day to day operation of ambulance service in both Mineral County and Rio Grande County. In addition, the District contracted with Valley Citizens Foundation for Healthcare, Inc. and the Mineral County Health Clinic to assist with ongoing healthcare services. During 2016, the District incurred costs of \$733,865.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

MINERAL – RIO GRANDE HEALTH SERVICE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund.

**MINERAL - RIO GRANDE HEALTH SERVICE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Sales Tax	\$ 750,000	\$ 750,000	\$ 851,342	\$ 101,342
Interest Income	300	300	595	295
TOTAL REVENUES	<u>750,300</u>	<u>750,300</u>	<u>851,937</u>	<u>101,637</u>
EXPENDITURES				
Ambulance Services	399,669	399,669	408,365	(8,696)
Contributions for Other Health Care Services	325,500	325,500	325,500	-
Office Expense	1,000	1,000	168	832
Insurance	-	-	185	(185)
Mileage Reimbursement	550	550	290	260
Professional Fees	6,700	6,700	6,800	(100)
Director's Fees	4,500	4,500	3,750	750
TOTAL EXPENDITURES	<u>737,919</u>	<u>737,919</u>	<u>745,058</u>	<u>(7,139)</u>
Excess (Deficiency) of Revenues Over Expenditures	12,381	12,381	106,879	94,498
Fund Balance - Beginning of Year	<u>375,638</u>	<u>375,638</u>	<u>398,993</u>	<u>23,355</u>
Fund Balance - End of Year	<u>\$ 388,019</u>	<u>\$ 388,019</u>	<u>\$ 505,872</u>	<u>\$ 117,853</u>

Notes To Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.