



Financial Statements
December 31, 2016

Health Services District of Northern Larimer County

Health Services District of Northern Larimer County

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Independent Auditor's Report

To the Board of Directors of the
Health Services District of Northern Larimer County
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and the general fund of the Health Services District of Northern Larimer County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Health Services District of Northern Larimer County'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.

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 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 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 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 general fund of the Health Services District of Northern Larimer County as of December 31, 2016, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement

As described in Note 13 to the financial statement, the Health District recorded adjustments to restate the beginning net position of the governmental activities and beginning fund balance of the general fund to correct errors related to certain liabilities that did not meet the criteria for accrual. Our opinions are not modified with respect to this matter.

Other Matter*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 10 and budgetary comparison information on pages 30 through 31 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 (GASB) who considers it to be an essential part of the 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.



Fort Collins, Colorado
June 16, 2017

Health Services District of Northern Larimer County
Management's Discussion and Analysis
For the Year Ended December 31, 2016

This section of the financial report is a required component of the annual financial statements for governmental organizations and is intended to help explain the financial activity for the fiscal year ended December 31, 2016, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- The Health District's cash and investments exceeded its total current liabilities by \$5,938,054 at the close of fiscal year 2016.
- As of the close of the fiscal year, the Health District's governmental fund balance totaled \$6,267,408 an increase of \$342,748 from the restated 2015 fund balance of \$5,924,660, as presented in Note 13. Approximately 48% of this amount (\$2,985,833) is available at the Health District's discretion (unassigned).
- Approximately \$9 million of the revenues received in 2016 were used to providing health services to residents in the northern two-thirds of Larimer County.

Overview of Financial Statements

This discussion and analysis serves as an introduction to the Health District's basic financial statements. The Health District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Required Financial Statements

The financial statements of the Health District report information about the Health District using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the Health District's overall financial status.

The *Statement of Net Position* presents information on all of the Health District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. This statement provides information about the nature and the amounts of investments in resources (assets) and the obligations to Health District creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Health District is improving or deteriorating. The Health District currently has reserve resources that are intended to be gradually spent down based on directives from the Health District's Board of Directors, so some decrease is to be expected.

The *Statement of Activities* presents information showing how the Health District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

These two statements report the Health District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the Health District has improved or diminished. However, in evaluating the overall position of the Health District, non-financial information such as changes in economic conditions and the Health District's property tax base will also need to be evaluated.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Health District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Health District has only one fund, the general fund.

Governmental Fund

The presentation for the Health District's general fund focuses on how resources flow into and out of it and the balance that is left at year-end that is available for spending in future periods. The governmental fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view to cash, the governmental fund operations, and the services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

The Health District annually adopts an appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. Actual expenditures were less than budgeted expenditures even after exclusion of funds budgeted for contingency.

Financial Analysis

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Health District, assets exceed liabilities and deferred inflows of resources by \$13,743,665 at the close of the most recent fiscal year.

Cash and investments represent approximately 33% of total assets. The funds on hand represent resources available for operations and contingencies of the Health District and are invested in a local government investment pool and certificates of deposit.

Approximately 36% of the Health District's total assets reflect investment in capital assets (e.g. land, buildings, medical equipment, dental equipment and computer hardware). The Health District uses these capital assets to provide health services to citizens of the northern two-thirds of Larimer County; consequently these assets are not available for future spending. Unrestricted net position may be used to meet the Health District's ongoing obligations to creditors.

The Health District entered into a lease in 1994 with Poudre Valley Health Care, Inc. d/b/a Poudre Valley Health System (PVHS) for the use of certain assets.

The original lease was accounted for as a direct financing lease. The residual value of the lease was established at lease inception which was based on the Health District's cost basis in land subject to the lease of \$4,047,875, which is reflected in the Health District's Statement of Net Position.

In 2012, the Health District Board of Directors approved an amendment to the lease. The amendment was in response to a request by PVHS for changes required to enable a joint-operating agreement under which PVHS and University of Colorado Hospital Authority would join to create a new regional health system, University of Colorado Health (UCH) to be operated by a new joint-operating company. The amended lease provided an extension of the term of the lease until 2062. The extended portion of the lease is accounted for as an operating lease.

The following Statement of Net Position (Table A-1) summarizes the Health District's assets, liabilities and deferred inflows of resources and net position.

Table A-1
Condensed Statement of Net Position

	<u>2016</u>	<u>(Restated) 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 13,793,323	\$ 13,030,294	\$ 763,029	5.86%
Capital assets	7,751,233	7,838,291	(87,058)	-1.11%
Total assets	<u>21,544,556</u>	<u>20,868,585</u>	<u>675,971</u>	<u>3.24%</u>
Current liabilities	1,179,016	943,171	235,845	25.01%
Noncurrent liabilities	300,909	269,293	31,616	11.74%
Total liabilities	<u>1,479,925</u>	<u>1,212,464</u>	<u>267,461</u>	<u>22.06%</u>
Deferred inflows of resources	6,320,966	6,162,463	158,503	2.57%
Total net position	<u>\$ 13,743,665</u>	<u>\$ 13,493,658</u>	<u>\$ 250,007</u>	<u>1.85%</u>

NET POSITION (consists of the following components):

	<u>2016</u>	<u>(Restated) 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Invested in capital assets, net of related debt	\$ 7,751,233	\$ 7,838,291	\$ (87,058)	-1.11%
Restricted	273,885	253,517	20,368	8.03%
Unrestricted	5,718,546	5,401,850	316,696	5.86%

A portion of the Health District's net position of \$273,885 represents resources that are subject to external restrictions (TABOR reserve). The balance of unrestricted net position of \$5,718,546 may be used to meet the Health District's obligations to citizens and creditors.

The unassigned fund balance of \$2,985,833 presented in the governmental fund balance sheet on page 13 provides a succinct view of the Health District's liquid resources that are available to the Health District on a short-term basis.

**Table A-2
Condensed Statement of Activities**

	<u>2016</u>	<u>(Restated) 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Program revenues:				
Net charges for services	\$ 1,167,416	\$ 1,193,098	\$ (25,682)	-2.15%
Operating grants and contributions	604,754	315,158	289,596	91.89%
General revenues:				
Property and specific ownership tax	6,629,464	5,845,640	783,824	13.41%
Lease revenue	1,020,957	991,220	29,737	3.00%
Other revenue	75,605	43,277	32,328	74.70%
Total revenues	<u>9,498,196</u>	<u>8,388,393</u>	<u>1,109,803</u>	<u>13.23%</u>
Expense:				
Operating expenses:				
Program expenses	7,539,356	6,946,554	592,802	8.53%
Grants/Partnerships/Special Projects	1,126,730	772,819	353,911	45.79%
General government	582,103	557,976	24,127	4.32%
Total expenses	<u>9,248,189</u>	<u>8,277,349</u>	<u>970,840</u>	<u>11.73%</u>
Change in net position	250,007	111,044	138,963	125.14%
Net position, beginning of year, restated	<u>13,493,658</u>	<u>13,382,614</u>	<u>111,044</u>	<u>0.83%</u>
Net position, end of year	<u>\$ 13,743,665</u>	<u>\$ 13,493,658</u>	<u>\$ 250,007</u>	<u>1.85%</u>

The Health District's net position increased by \$250,007 during the current fiscal year.

Revenues

Property and specific ownership taxes account for 70% of the Health District's revenue. The amount of revenue from property taxes is driven by the assessed valuation of the taxable properties within the Health District boundaries and by the voter approved mill levy for the Health District. Lease revenue accounts for 11% of the Health District's revenue and the remaining 19% comes from net program fees for services provided, grants, contributions and investment income.

Significant changes in revenue include the following:

Property tax revenue increased 14.1% (\$756,176) over 2015. Specific ownership tax revenue, derived from vehicle registrations, increased 5.5% (\$27,648).

Net charges for services decreased 2.2% (\$25,652) when compared to 2015. The Family Dental Clinic experienced a slight increase in revenue of 0.28% (\$3,020). The Family Dental Clinic was short several dental provider positions for several months during 2016 significantly affecting the number of available dental appointments. In addition, the number of new Medicaid-eligible dental patients and those converting from sliding-fee scales to Medicaid was fewer than expected which impacted third-party revenues. The Dental Connections Program realized a 20.5% (\$33,495) decrease in revenue over the prior year.

Investment earnings increased 167% over earnings received in the previous year. The District follows Colorado Revised Statutes for investment yield rates available for public funds that continued to remain under 1% during 2016. Yield rates on funds invested through the government investment pool COLOTRUST averaged 0.65% for 2016. Funds held in a flexible savings account and certificates of deposits had slightly higher average yield rates but the number of eligible financial institutions willing to take public funds continues to be limited.

In 2016, the Health District received \$1,020,957 from their lease with PVHS. This is a 3% (\$29,737) increase over 2015.

Expenses

The Health District provided approximately \$9 million to the community in health related services. The Family Dental Clinic, Health Promotions, Mental Health Connections, Integration of Mental Health and Substance Abuse Services into Primary Care (MH/SA/Primary Care), Dental Connections, and Health Care Access provided \$7.4 million in direct health services to the community, and other programs provided another \$1.9 million in indirect health related services.

Significant changes in expenditures include the following:

Health District program expenditures realized an 11.7% (\$971,178) net increase over the prior year. The Health Care Access Program experienced an 8.9% (\$69,311) increase in expenditures over the prior year. This increase was due in part to the merging of the Prescription Assistance Program into the Larimer Health Connect program and, secondly, moving some Larimer Health Connect grant funded positions and expenses into ongoing operations.

The Family Dental Clinic realized a 5.9% (\$172,285) increase in expenditures over the prior year. The increase was attributable to salary market range adjustments for some dental providers and the purchase of replacement dental equipment. The Dental Connections Program experienced at 20.5% (\$33,495) decrease in expenditures as compared to 2015.

Connections: Mental Health/Substance Use Services realized a 46.4% (\$314,869) increase in expenditures due to the implementation of the new CAYAC Program (Child, Adolescent and Young Adult Connections) during 2016.

Health District projects funded through grants, community partnerships and Board approved reserve expenditures increased 25.8% (\$388,227) over the prior year as a result of multi-year projects as well as time-limited programs having come to completion.

While the condensed statement of activities presented on page 6 Table A-2, provides information as to the nature and sources of these changes, the following charts show the sources of the Health District's revenue and how these funds are spent.

Chart A

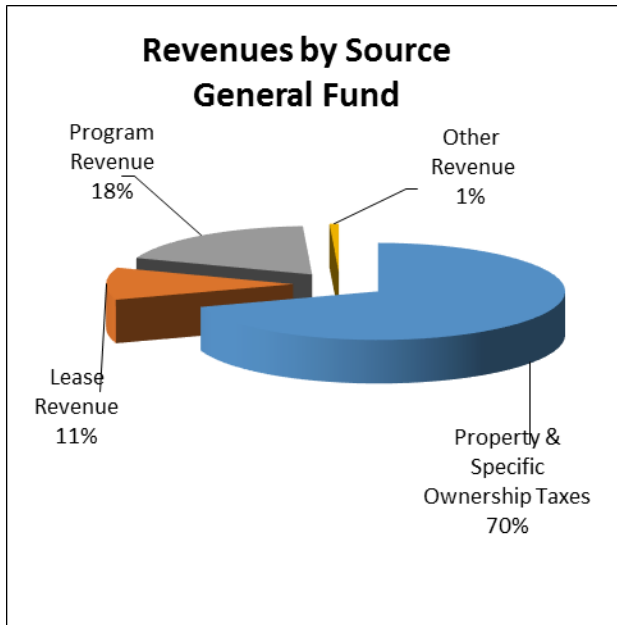
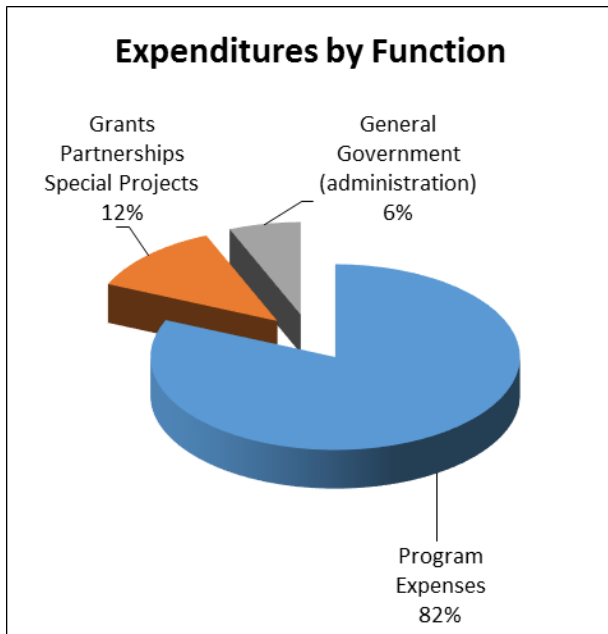


Chart B



Budgetary Highlights

The Health District adopts annual Operations and Capital budgets outlining the estimated expenditures for programs or projects already authorized or to be considered by the Health District's Board of Directors. Funds budgeted but not spent from the current year's budget may be re-appropriated for future use.

Periodically, the Health District has opportunities to provide unique, time-limited programs that are funded with grant funds, the Health District reserve funds and/or in partnership with others in the community. These partnerships relate to the mission of the Health District and generally relate to programs of the Health District, but given their short-term nature are classified as grants, partnerships or special projects in the accompanying financial statements to distinguish them from the normal programmatic expenditures of the Health District.

In 2016, the Health District's revenues were 11% (\$1,176,013) less than budgeted. The Health District's 2016 budget includes revenues for actual grant awards as well as potential grant awards. In order to appropriate adequate revenues and expenditures so that budgets will not have to be revised mid-year, every possible grant application is included in the budget, even though many will not be granted and some may not be submitted. Seventy-six percent of the revenue shortfall can be attributed to conservative grant revenue that was budgeted, but not received, and the postponement of partnership projects. Fee income from patients and third party payer sources were approximately 30% less than projected.

The Health District direct expenses were approximately 29.1% (\$3,803,386) less than budgeted. Sixty-five percent of this amount is attributable to expenditures associated with potential grants that were not received or Health District special projects that were postponed.

Expenditures were also less than anticipated as a result of:

- gaps between when employees left and new employees were hired, and some delays in hiring of personnel for certain Health District programs and special projects,
- conservative handling of expenditures by programs,
- timing of on-going grant and partnership expenditures.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2016, the Health District's investment in capital assets totaled \$7.8 million (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, renovations, dental equipment, office equipment and computer software.

Included in total land of \$4.6 million is approximately \$4.0 million of land residual value accounted for in conjunction with the Health District's original direct financing lease with Poudre Valley Health Care, Inc. This amount represents the estimated cost basis of the land at the time of the original 1994 direct financing lease, which is leased on a long-term basis to Poudre Valley Health Care, Inc.

During 2016, \$89,297 was expended on capital assets. These capital expenditures include office equipment, dental equipment and computer software. See Note 5.

Table A-3
Capital Assets
Net of Accumulated Depreciation

	2016	2015
Land	\$ 4,592,595	\$ 4,592,595
Buildings	2,948,641	3,060,663
Equipment	209,997	185,033
Net capital assets	\$ 7,751,233	\$ 7,838,291

Debt Administration

The Health District has no outstanding debt. Additional information on the Health District’s contingent obligations can be found in Note 6 to the financial statements.

Economic Factors and Next Year’s Budget

The economy in Northern Colorado continues to experience high growth in many areas, including primary industry sectors, population, labor force and real estate. The U.S. Census Bureau ranked Fort Collins as the 10th fastest-growing city in the nation in 2015. Inflation averaged 2.7% in 2016 and is expected to average 2.8% in 2017. (University of Colorado 2017 Business Economic Outlook).

The unemployment rate for the Fort Collins area averaged 2.6% in 2016, dropping from 2.6% in January to 2.2% by December. (Bureau of Labor Statistics). Colorado employment is expected to expand in 2017, showing growth in all industry sectors. (Richard Wobbekind, Economist, University of Colorado Boulder).

Property and specific ownership taxes are anticipated to account for approximately 63% of the Health District’s operating revenues in 2017. The Health District expects a 2.6% increase in property tax revenue and for specific ownership tax revenue to be approximately the same as the prior year.

The Health District continues to seek external resources from foundations, corporations, local, state and federal governmental agencies to supplement, expand and enhance services and programs consistent with the Health District’s strategic plan.

The Health District approved an \$18 million budget for 2017 with total operations expenditures of \$15 million.

Request for Information

This financial report is designed to provide a general overview of the Health District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to:

Lorraine Haywood, Finance Director
 Health District of Northern Larimer County
 120 Bristlecone Drive
 Fort Collins, CO 80524
lhaywood@healthdistrict.org

Health Services District of Northern Larimer County
Statement of Net Position
December 31, 2016

Assets:	
Cash and investments	\$ 7,117,070
Receivables:	
Patients, net of allowances of \$3,500	77,707
Grants receivable and other	125,129
Property taxes	6,320,991
Specific-ownership taxes	43,469
Prepaid expenses	108,957
Capital assets not being depreciated:	
Land	544,720
Land subject to lease	4,047,875
Capital assets, net of accumulated depreciation:	
Buildings	2,948,641
Equipment	209,997
Total assets	<u>21,544,556</u>
Liabilities:	
Accounts payable	275,390
Accrued payroll and payroll taxes	288,057
Unearned revenue:	
Lease revenue	343,655
Grants and partnerships	246,033
Dental services	25,881
Long-term liabilities:	
Compensated absences, due within one year	281,909
Compensated absences, due in more than one year	19,000
Total liabilities	<u>1,479,925</u>
Deferred inflows of resources:	
Property taxes	6,320,966
Total deferred inflows of resources	<u>6,320,966</u>
Net position:	
Net investment in capital assets	7,751,233
Restricted for TABOR reserve	273,885
Unrestricted	5,718,546
Total net position	<u><u>\$ 13,743,665</u></u>

Health Services District of Northern Larimer County
Statement of Activities
Year Ended December 31, 2016

Functions/Programs:	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Net Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Dental Services *	\$ 3,113,857	\$ 1,071,453	\$ -	\$ (2,042,404)
MH/SA/Primary Care *	883,263	61,939	-	(821,324)
Health Promotion	708,393	11,185	-	(697,208)
Healthy Mind Matters	511,488	-	-	(511,488)
Connections: Mental Health/Substance Abuse Issues Services *	993,939	140	-	(993,799)
Grants, partnerships, and special projects *	1,126,730	-	604,754	(521,976)
General government	582,103	-	-	(582,103)
Assessment, Research and Evaluation	182,319	-	-	(182,319)
HealthInfo Source	71,525	-	-	(71,525)
Resource Development	96,659	-	-	(96,659)
Dental Connections	129,876	22,221	-	(107,655)
Healthcare Access *	848,037	478	-	(847,559)
Total governmental activities	<u>\$ 9,248,189</u>	<u>\$ 1,167,416</u>	<u>\$ 604,754</u>	<u>\$ (7,476,019)</u>
General revenues:				
Property and specific ownership taxes				\$ 6,629,464
Lease revenue				1,020,957
Investment earnings				48,738
Gain on investments				3,536
Other income				23,331
				<u>7,726,026</u>
Change in net position				250,007
Net position - beginning of year, as restated				13,493,658
Net position - end of year				<u>\$ 13,743,665</u>

* One of top 5 functions/programs for expenses

Health Services District of Northern Larimer County
Balance Sheet – Governmental Fund
December 31, 2016

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 7,117,070
Receivables:	
Patients, net of allowances of \$3,500	77,707
Grants receivable and other	125,129
Property taxes	6,320,991
Specific ownership taxes	43,469
Prepaid expenses	<u>108,957</u>
Total assets	<u>\$ 13,793,323</u>
Liabilities:	
Accounts payable	\$ 275,390
Accrued payroll and payroll taxes	288,057
Unearned revenue:	
Lease revenue	343,655
Grants and partnerships	246,033
Dental services	25,881
Total liabilities	<u>1,179,016</u>
Deferred inflows of resources:	
Property taxes	6,320,966
Unavailable revenue	25,933
Total deferred inflows of resources	<u>6,346,899</u>
Total liabilities and deferred inflows of resources	<u>7,525,915</u>
Fund balance:	
Nonspendable fund balance - prepaid expenses	108,957
Restricted fund balance - Tabor reserve	273,885
Assigned fund balance - reserve expenditures	2,898,733
Unassigned fund balance	2,985,833
Total fund balance	<u>6,267,408</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 13,793,323</u>

Health Services District of Northern Larimer County
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position
Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental fund	\$ 6,267,408
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	7,751,233
Revenue not available and therefore is deferred in the fund	25,932
Compensated absences are not uses of financial resources in governmental activities and are therefore not reported in the fund. However, compensated absences are treated as a liability in the statement of net position. This is the total of the liability as of December 31, 2016.	<u>(300,909)</u>
Total net position	<u><u>\$ 13,743,665</u></u>

Health Services District of Northern Larimer County
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended December 31, 2016

	General Fund
Revenue:	
Property and specific ownership taxes	\$ 6,629,464
Net charges for services	1,167,416
Lease payments	1,020,957
Grants and partnerships	578,821
Investment earnings	48,738
Miscellaneous income	23,331
Gain on investments	3,536
Total revenue	9,472,263
Expenditures:	
General government	570,190
Program operations:	
Dental Services	3,035,186
MH/SA/Primary Care	860,592
Health Promotion	691,014
Health Mind Matters	497,235
Connections: Mental Health/Substance Abuse Issues Services	967,132
Grants, partnerships, and special projects	1,125,987
Assessment, Research, and Evaluation	178,287
HealthInfo Source	69,438
Resource Development	93,629
Dental Connections	126,520
Health Care Access	825,006
	9,040,218
Capital outlay	89,297
Total expenditures	9,129,515
Net change in fund balance	342,748
Fund balance - beginning, as restated	5,924,660
Fund balance - ending	\$ 6,267,408

Health Services District of Northern Larimer County
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund to the Statement of Activities
 Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund	\$ 342,748
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	(87,057)
Compensated absences are not uses of financial resources in governmental activities and are therefore not reported in the fund. However, in the statement of activities, these costs are reported as expenses. This is the amount of these expenses in the current period.	(31,616)
Grant revenue in the government-wide statement of activities do not provide current financial resources and are not reported as revenues in the government fund operating statement.	<u>25,932</u>
Change in net position	<u><u>\$ 250,007</u></u>

Note 1 - Reporting Entity

The Health District is a political subdivision of the state of Colorado and is governed by a five-member Board elected by residents of the Health District. Until May 1, 1994, the Health District owned and operated Poudre Valley Hospital (the Hospital). On that date, the Health District transferred the operations and certain net assets of the Hospital to Poudre Valley Health Care, Inc. (PVHCI), a tax-exempt organization incorporated March 14, 1994, for the purpose of operating the Hospital. As part of this transaction, the Health District retained certain assets and entered into a lease arrangement where PVHCI, later also referred to as Poudre Valley Health Systems (PVHS), leased these assets for a period of 50 years. During 2012, PVHCI/PVHS and University of Colorado Hospital Authority entered into a joint operating agreement creating a combined health system called University of Colorado Health (UCHealth), at which time the terms of the lease arrangement were amended (see Note 9).

As a political subdivision of the state of Colorado, the Health District is exempt from income taxes under section 115 of the Internal Revenue Code. In addition, the Health District has qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

In conformance with Governmental Accounting and Financial Reporting Standards, the Health District is the reporting entity for financial reporting purposes. The Health District is the level of government having financial accountability and control to provide community health services and to lease certain of its assets to Poudre Valley Health Care, Inc./Poudre Valley Health Systems and University of Colorado Health. The Health District is not included in any other governmental reporting entity because the Health District officials are publicly elected. They are empowered to adopt a budget to expend Health District revenues, select management, significantly influence operations, and are accountable for fiscal matters.

The financial statements of the Health District include all funds that are controlled by, or dependent upon, the elected officials. Control by, or dependence on, the elected officials is determined on the basis of budget adoption, taxing authority, outstanding debt which may be secured by general obligation of the Health District, and the responsibility of the Health District to finance debt.

Note 2 - Summary of Accounting Policies

The accounting policies of the Health Services District of Northern Larimer County (the Health District) conform to accounting principles generally accepted in the United States of America. The following is a summary of the Health District's significant accounting policies:

Basic Financial Statements, Measurement Focus and Basis of Accounting

Basic financial statements consist of the government-wide financial statements and the fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The fund financial statements provide a more detailed level of financial information for the governmental fund.

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. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) net charges to patients or applicants who receive services provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 are recorded only when payment is due.

The Health District reports only one fund – the general fund, a governmental fund. The general fund accounts for all financial resources of the Health District.

Cash and Investments

Cash includes highly liquid investments with a maturity of three months or less when purchased and are stated at cost, which approximates market. Investments include certificates of deposit and investments in investment pools set up under state statute (COLOTRUST). Investments are carried at fair value.

Patient Receivable and Credit Policy

Patient receivables are uncollateralized patient and third-party payor obligations. The Health District does not charge interest on delinquent accounts. Payments of patient receivables are allocated to the specific services identified in the remittance advice or, if unspecified, are applied to the earliest services provided.

The Health District records receivables at the amount invoiced to patients. The Health District does not obtain collateral for its accounts receivable. The Health District does not hold any accounts receivable for sale.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health District regularly analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

The Health District's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from December 31, 2015 to December 31, 2016. The Health District does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors.

Health Services District of Northern Larimer County

Notes to Financial Statements

December 31, 2016

For receivables associated with services provided to patients who have third party coverage, the Health District analyzes contractually due amounts and provides an allowance for contractual adjustments, if necessary.

Contractual adjustments represent the difference between the Health District's established billing rate for covered services and amounts reimbursed by third-party payors, pursuant to reimbursement contracts. Contractual adjustments reduce the amount of revenue the Health District recognizes.

Property Tax Receivable

The Health District's property tax revenues, levied by January 1 on assessed valuation of the preceding year, are due and payable in the current calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: (1) in full on or before April 30, or (2) one-half on or before February 28 and the remaining one-half on or before June 15. Taxes are collected by the Larimer County Treasurer and are remitted to the Health District on the 10th of the month following collection. All current taxes receivable are offset by the full amount of the deferred inflow of resources – property taxes. Management has determined there are no significant uncollectible amounts; therefore, property taxes receivable are reported without an allowance for uncollectible accounts.

Budgeted property tax revenues as reflected in the accompanying financial statements are based on the assessed valuation at the time of budget adoption. Actual property tax revenues are based on the final assessed valuation including changes recorded by the county assessor through December 14.

Other Receivables

Other receivables consist primarily of grant receivables from governmental entities and not-for-profit organizations. Other receivables are reported at gross as management has determined no significant uncollectible amounts.

Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements. The expenditure will be appropriately recognized using the consumption method in the benefitting period.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Health District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the estimated useful lives of the assets which range from three to forty years.

Compensated Absences

The District's employees earn paid-time off days at varying rates depending on years of service. Employees may accumulate paid-time off up to a specific maximum. Employees are paid for accumulated paid-time off upon termination.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Health District has one item that qualifies for reporting in this category in both the statement of net position and the governmental fund balance. The Health District reports property taxes as receivables and deferred inflows of resources when levied in the statement of net position and in the governmental fund balance sheet.

In addition, the governmental fund financial statements also report a deferred inflow of resources for unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Employees begin accruing paid time off upon the first day of employment with the total number of days accrued being determined by eligible years of service. Paid time off may be used for vacation, sick leave, dependent sick leave, or other personal needs. Compensated absence is calculated at the employee's base pay rate at the time the paid time off is used. It does not include overtime or any special forms of compensation.

Compensated absence balance is paid upon termination of the employee.

Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. The net position component "net investment in capital assets" consists of capital assets, net of accumulated depreciation. Net position is restricted when constraints placed on the net position are externally imposed. The remaining balance of net position is reported as restricted. It is the District's policy to use restricted net position first before using unrestricted net position.

Fund Balance

In the fund financial statements, fund balance of the Health District's governmental fund is classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balance indicates amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation as described in Note 9.

Committed fund balance indicates amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the Health District's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned fund balance indicates amounts for the governmental fund, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Executive Director.

Unassigned fund balance indicates amounts in the general fund that are not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Health District considers restricted funds to have been spent first. When both unassigned and committed or assigned resources are available for use, it is the Health District's policy to use committed or assigned resources first, then unassigned as needed.

Net Medical/Dental Service Revenue

The Health District has agreements with third-party payors that provide for payments to the Health District at amounts different from its established rates. Payment arrangements include prospectively determined rates. Net medical/dental service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third-party payors. Contractual adjustments are accrued on an estimated basis in the period the related services are rendered.

For uninsured patients, the Health District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy).

For the year ended December 31, 2016, approximately 77%, 22% and 1% of net dental service revenue from third-party payors was received from Medicaid, other offices of the State of Colorado and other third-party providers, respectively.

Grants

The District receives grants from governmental entities and not-for-profit organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants are restricted for specific program purposes. Grants received prior to eligibility and time requirements being met are reflected as unearned revenue in the financial statements.

Insurance Pool

In 1996, the Health District transferred its property and liability insurance to the Colorado Special Districts Insurance Pool. As a requirement of this Pool, the Health District placed into an Insurance Surplus Contribution Fund a specified amount (\$5,132) of cash. This surplus is subject to future insurance needs or a refund to the Health District if there are excess funds in the future. The Colorado Special Districts Property & Liability Pool (CSDPLP) is made up of 1,357 members who are local governments. It is an organization created by an inter-government agreement in 1988 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. A seven-member board elected by and from its members governs CSDPLP. The governing board is autonomous as to budgeting and fiscal matters.

In 2008, the Health District joined the Colorado Employer Benefit Trust, a multi-employer trust of approximately 300 public institutions providing employee benefits. The purpose of the trust is to spread the risk of adverse claims over a larger base of members and to reduce administrative costs.

Coverage is provided through pooling of self-insured losses and the purchase of coverage from third-party providers. The Trust is governed by a board of trustees made up of representatives from participating groups.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of new GASB Statements

Beginning in fiscal year 2016, the Health District implemented the following statements issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 72 *Fair Value Measurements and Applications*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement also provides guidance for disclosures related to all fair value measurements.

GASB Statement No. 77 *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this statement encompass tax abatements resulting from both agreements that are entered into by the reporting government and agreements that are entered into by other governments that reduce the reporting government's tax revenues.

Note 3 - Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Colorado statutes govern the Health District's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a 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 one hundred and two percent of the uninsured deposits.

At December 31, 2016, the Health District's carrying amount of deposits was \$822,510 and the bank balance was \$844,090. Cash balances may be transferred overnight in order to maximize interest income.

Investments

The Health District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of local government entities.
- Banker's acceptance of certain banks.
- Commercial paper.
- Local government investment pools.
- Obligations of the Health District.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The District categorizes its investments fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. The Health District has the following investments, of which they have determined do not meet the requirements for classification within the fair value hierarchy:

- Non-negotiable certificates of deposit investments valued at amortized cost with average maturities of thirteen months. These certificates of deposits had a value of \$1,336,134 at December 31, 2016.
- The Health District participates in a local government investment pool, ColoTrust, an SEC-registered investment pool. The investment pool operates similarly to a money market fund; each share is equal in value to \$1.00. The investment in ColoTrust is measured at Net Asset Value. ColoTrust has a daily redemption frequency period and a one-day redemption notice period. At December 31, 2016, the District had \$4,958,426 invested in ColoTrust.

Interest Rate Risk

As a means of limiting local government exposure to fair value losses arising from interest rates, state law limits maturities to five years or less. The Health District is in compliance with state law.

The Health District participates in a local government investment pool, ColoTrust, an SEC-registered investment pool. The investment pool operates similarly to a money market fund; each share is equal in value to \$1.00. The carrying amount and fair value of the investment are the same. Investments consist of U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with direct investment and withdrawal functions of the investment pools. Substantially all securities owned by the investment pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by each investment pool.

Credit Risk

The government investment pool has received a rating of AAAM by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. This type of risk is minimized by limiting investments to the types of securities allowed by state law.

Concentration of Credit Risk

The Health District has no policy that would limit the amount that may be invested with any one issuer; however, the Health District’s investment policy calls for investment diversification within the portfolio to avoid unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

Note 4 - Lease of Assets

In 1994, the Health District entered into a lease arrangement whereby it leased certain assets to PVHCI. The original lease was accounted for as a direct financing lease. The residual value of the lease was established at lease inception which was based on the Health District’s cost basis in land subject to the lease of \$4,047,875.

In 2012, PVHCI/PVHS entered into a joint operating agreement with the University of Colorado Hospital Authority creating a combined health system called University of Colorado Health (UCHealth), at which time the lease arrangement was amended. The annual lease payments from PVHCI/PVHS to the Health District increased to \$961,480 with a 3% increase for each of the following years. The maturity date was extended to April 2062 and is cancelable only upon mutual agreement of both parties, default, or other terms of the revised lease. The remaining term of the lease (originally accounted for as a direct financing lease) has the characteristics of an operating lease.

At December 31, 2016, future non-cancelable minimum lease payments due under the lease are as follows:

2017	1,051,585
2018	1,083,133
2019	1,115,627
2020	1,149,096
2021-2025	6,283,727
2026-2030	7,284,561
2031-2035	8,444,803
2036-2040	9,789,841
2041-2045	11,349,109
2046-2050	13,156,728
2051-2055	15,252,254
2056-2060	17,681,542
2061-2062	5,160,411
	\$ 98,802,417

The Health District earned approximately \$1,021,000 of rental income in 2016 attributable to this agreement.

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 544,720	\$ -	\$ -	\$ 544,720
Land subject to lease	4,047,875	-	-	4,047,875
Total capital assets, not being depreciated	<u>4,592,595</u>	<u>-</u>	<u>-</u>	<u>4,592,595</u>
Capital assets, being depreciated				
Building	4,404,448	-	-	4,404,448
Building improvements	16,667	-	-	16,667
Equipment	1,083,398	89,297	(37,751)	1,134,944
Total capital assets, being depreciated	<u>5,504,513</u>	<u>89,297</u>	<u>(37,751)</u>	<u>5,556,059</u>
Less accumulated depreciation				
Building	(1,344,659)	(111,148)	-	(1,455,807)
Building improvements	(15,793)	(874)	-	(16,667)
Equipment	(898,365)	(64,333)	37,751	(924,947)
Total accumulated depreciation	<u>(2,258,817)</u>	<u>(176,355)</u>	<u>37,751</u>	<u>(2,397,421)</u>
Total capital assets, being depreciated, net	<u>3,245,696</u>	<u>(87,057)</u>	<u>-</u>	<u>3,158,639</u>
Governmental activities capital assets, net	<u>\$ 7,838,291</u>	<u>\$ (87,057)</u>	<u>\$ -</u>	<u>\$ 7,751,234</u>

Health Services District of Northern Larimer County
Notes to Financial Statements
December 31, 2016

Depreciation expense for the year ended December 31, 2016, was charged to functional programs as follows:

Dental Services	\$ 69,670
MH/SA/Primary Care	17,220
Connections	24,025
Health Care Access	18,873
Health Promotion	14,271
Community Impact	12,362
General Government	9,317
Assessment, Research, and Evaluation	3,194
Dental Connections	2,853
Resource Development	2,739
HealthInfo Source	1,831
Total depreciation expense - governmental activities	<u>\$ 176,355</u>

Note 6 - Leases

The Health District leases office space under three separate long-term agreements. The leases expire in May 2018, February 2019 and September 2019.

Future minimum lease payments for the leases are as follows:

Years Ending December 31,	<u>Operating Lease</u>
2017	\$ 123,846
2018	112,136
2019	<u>41,457</u>
Total minimum lease payments	<u>\$ 277,439</u>

Total lease expense for the year ended December 31, 2016 was \$72,423.

Note 7 - Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2016 follows:

	January 1, Balance	Additions	Reductions	December 31, Balance	Due Within One Year
Compensated Absences	\$ 269,293	\$ 478,480	\$ 446,864	\$ 300,909	\$ 281,909

Note 8 - Employee Retirement Plans

Money Purchase Plan

The Health District offers its employees a defined contribution money purchase plan administered by Nationwide Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The plan requires both employer and employees to contribute amounts of 5% and 3%, respectively, of base salary each pay period. Contributions made by the Health District are not taxable to the employee until they are withdrawn. Employee contributions are made with pre-tax dollars, and the earnings on the Health District and employee contributions are not taxed until withdrawn. Employees are fully vested in the plan upon completion of two years of service. The Health District contributions to the plan was approximately \$269,076 for the year ended December 31, 2016. Covered payroll was approximately \$5,686,409 for the year ended December 31, 2016.

Deferred Compensation Plan

The Health District established a deferred compensation plan in accordance with Internal Revenue Code Section 457 in 1994. All fees are paid by participants, and there is no employer contribution. The funds are invested and administered by an independent third party. The Health District had 40 employees participate during 2016.

Note 9 - Commitments and Contingencies

Hospital Lease Agreement

In 1994, the Health District entered into a lease agreement that leased certain assets owned by the Health District to Poudre Valley Health Care, Inc. (PVHCI). In 2012, PVHCI/PVHS entered into a Joint Operating Agreement with the University of Colorado Hospital Authority (UCHA), creating a combined health system called University of Colorado Health (UCHealth), at which time the lease agreement between the Health District and PVHCI/PVHS was amended. The amended lease agreement expires April 30, 2062.

There are certain circumstances in which PVHCI/PVHS assets would be transferred to the Health District, and in which the Health District might be required to assume the obligations of PVHCI/PVHS. These situations include: 1) termination (either early termination, or at the end of the lease period) of the Operating Lease Agreement between PVHCI/PVHS, the Health District, and UCHealth; and 2) early termination of the Joint Operating Agreement between PVHCI/PVHS, UCHA, and UCHealth. The exact terms of when these situations would apply, as well as what assets would be transferred, are governed by 1) the original Operating Lease Agreement and all subsequent amendments, including the “Operating Lease Amendment and Consent Agreement” executed in February 2012, and 2) the Joint Operating Agreement between PVHCI/PVHS, UCHA, and UCHealth, executed in January 2012.

Revenue Limitations and Restrictions of Fund Balance

The State of Colorado enacted a constitutional amendment (the TABOR amendment) effective December 31, 1992, to limit increases in government revenues. The limitation generally restricts growth in revenue of a governmental entity to a base amount plus increases for growth and inflation. In addition, the amendment requires government entities to create an emergency “reserve” of three percent of annual spending excluding bonded debt service. In November 2000, voter approval was given to the Health District to remove the restriction on growth in revenue. At December 31, 2016, the Health District has complied with the requirements to include emergency reserves in its budgetary-basis fund balance.

Note 10 - Risk Management

The Health District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Health District utilizes the Colorado Special Districts Property and Liability Pool to manage its risks. Insurance coverage provides protection for professional liability losses on an incidental basis subject to a limit of \$1 million per incident and an annual aggregate limit of \$3 million. The District has not had any settlements in excess of insurance coverage for any of the previous three years.

Note 11 - Related Party Transactions

The Health District is a member of the Colorado Employer Benefit Trust (CEBT), which provides the Health District with health, life and vision insurance coverage. The Finance Director of the Health District serves as a member on the Board of Trustees of CEBT. The Health District paid \$698,280 to CEBT during the year ended December 31, 2016. The Finance Director also serves on the Board of Directors for the Colorado Special Districts Property and Liability Pool which provides the District with insurance services. The Health District paid approximately \$36,637 to the Colorado Special District’s Property and Liability Pool during the year ended December 31, 2016.

Note 12 - Tax Abatements

The District does not directly abate taxes. However, for the year ended December 31, 2016 the District’s property tax revenues were reduced by \$243,900 under various tax increment financing agreements entered into by the City of Fort Collins and Town of Timnath.

Note 13 - Restatement

It was determined that the District previously accounted for compensated absences in the general fund. Compensated absences are considered a long-term liability and do not meet the criteria to accrue in the general fund. As a result, an adjustment was necessary to restate the beginning fund balance in the general fund by \$269,293. In addition, it was noted that the District had incorrectly accrued a liability for an internal reserve of fund balance / net position to be utilized for an intermediate medical leave benefit in the amount of \$55,730. The following details the restatements as of January 1, 2016.

	Governmental Activities	General Fund
Net position / fund balance, as previously reported	\$ 13,437,928	\$ 5,599,637
Overstatement of liabilities	55,730	55,730
Overstatement of compensated absences in general fund	-	269,293
Net position / fund balance, as restated	\$ 13,493,658	\$ 5,924,660

The effect of the restatements on the change in net position / fund balance reported for the year ended December 31, 2015 is to increase the amount previously reported for the change in fund balance of the general fund by \$37,627 and to decrease the amount previously reported for the change in net position of the governmental activities by \$338.



Required Supplementary Information
December 31, 2016

Health Services District of Northern Larimer County

Health Services District of Northern Larimer County Health Services District of Northern Larimer County
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variances- Over (Under)</u>
Revenue:				
Property and specific ownership taxes	\$ 6,647,464	\$ 6,647,464	\$ 6,629,464	\$ (18,000)
Lease payments	1,020,957	1,020,957	1,020,957	-
Net charges for services	1,305,535	1,305,535	1,167,416	(138,119)
Investment earnings	21,000	21,000	48,738	27,738
Grants and partnerships	1,667,621	1,667,621	578,821	(1,088,800)
Gain on investments	-	-	3,536	3,536
Miscellaneous income	11,630	11,630	23,331	11,701
Total revenue	<u>10,674,207</u>	<u>10,674,207</u>	<u>9,472,263</u>	<u>(1,201,944)</u>
Expenditures:				
Current:				
General government	638,072	638,072	570,190	(67,882)
Program operations:				
Dental Services	3,581,986	3,417,960	3,035,186	(382,774)
MH/SA/Primary Care	1,027,645	1,027,645	860,592	(167,053)
Health Promotion	766,855	766,855	691,014	(75,841)
Healthy Mind Matters	626,336	626,336	497,235	(129,101)
Connections: Mental Health/Substance Abuse				
Issues Services	1,276,867	1,276,867	967,132	(309,735)
Grants, partnerships, and special projects	3,758,316	3,754,116	1,125,987	(2,628,129)
Assessment, Research, and Evaluation	188,684	188,684	178,287	(10,397)
Resource Development	144,918	144,918	93,629	(51,289)
Dental Connections	166,776	166,776	126,520	(40,256)
HealthInfo Source	81,906	81,906	69,438	(12,468)
Health Care Access	961,471	961,471	825,006	(136,465)
Total current	<u>13,219,832</u>	<u>13,051,606</u>	<u>9,040,218</u>	<u>(4,011,388)</u>
Capital outlay	202,921	204,371	89,297	(115,074)
Contingency	967,802	967,802	-	(967,802)
Total expenditures	<u>14,390,555</u>	<u>14,223,779</u>	<u>9,129,515</u>	<u>(5,094,264)</u>
Net change in fund balance	(3,716,348)	(3,549,572)	342,748	3,892,320
Fund balance - beginning, restated	3,716,348	3,549,572	5,924,660	2,375,088
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,267,408</u>	<u>\$ 6,267,408</u>

Note 1 – Budgets and Budgetary Accounting

The Health District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary guidelines reflected in the operations of the Health District.

Prior to or by October 15, the Director submits a proposed operating budget for the fiscal year commencing the following January 1, to the Health District Board of Directors (elected officials). The operating budget includes proposed expenditures and the means of financing.

Public hearings are held at the regular Health District meetings to obtain taxpayer input.

Prior to or by December 15, the budget is legally enacted through passage of a budget resolution.

The Health District is authorized to transfer budgeted amounts within the accounts of the Health District. The Health District Board of Directors must approve revisions that change total expenditures.

The budget is adopted on a basis consistent with generally accepted accounting principles.

Appropriations are controlled and the budget is only amended in conformity with Colorado Revised Statutes. The Health District charter requires a balanced budget.