



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

December 31, 2017

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June 26, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 27, 2018

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, 2017 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  
Page Two  
April 27, 2018

### *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, 2017 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 \$4,621,198 on December 31, 2016 to \$7,038,614 on December 31, 2017.
- Net A/R decreased from \$910,394 in 2016 to \$781,247 in 2017 primarily due to a large effort in collections. The District was further able to decrease Allowances from \$950,000 in 2016 to \$674,080 at the end of 2017 based on annual collections history.
- Net 911 calls increased by 4.9% over 2016. Transfer volume increased 26% from 334 in 2016 to 421 in 2017, transports increased 5.1% from 3,137 in 2016 to 3,297 in 2017. And the District experienced a sharp increase in Community Paramedicine responses, from 135 in 2016 to 264 in 2017.
- Gross patient revenue increased from \$5,794,139 in 2016 to \$6,693,603. Net patient revenue also increased accordingly, by \$808,222 or 30.3%. This sharp increase is related to the change in valuation of Allowances for Doubtful Accounts in patient receivables noted previously.
- Mill levy revenue collections increased from \$5,461,558 in 2016 to \$7,519,008 or 37.7%.
- Through a variety of efforts in expense savings, in addition to the increase in patient and mill levy revenues, the District was able to move the needle from several years of losses to posting a healthy surplus in 2017 and contribute to its Fund Balance. The District's net position improved from a net loss of (\$664,954) in 2016 to a net surplus of \$2,202,525.

### **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**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Current assets - Cash	\$7,038,614	\$4,621,198
Patient receivables	781,247	910,394
Property taxes receivable	7,956,786	7,516,983
Other current assets	90,318	29,734
Other noncurrent assets	1,066,045	1,034,245
Capital assets, net	<u>12,489,143</u>	<u>12,617,402</u>
<b>TOTAL ASSETS</b>	<u>29,422,153</u>	<u>26,729,956</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>		
Current liabilities	834,731	784,865
Long-term liabilities	-	-
Deferred inflows	<u>7,956,789</u>	<u>7,516,983</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>8,791,520</u>	<u>8,301,848</u>
<b>NET POSITION</b>		
Net investment in capital assets	12,489,143	12,617,402
Restricted for Emergency Reserve	344,215	254,979
Unrestricted	<u>7,797,275</u>	<u>5,555,727</u>
<b>TOTAL NET POSITION</b>	<u>\$20,630,633</u>	<u>\$18,428,108</u>

In 2017, assets exceeded liabilities and deferred inflows by \$20,630,633. Property taxes receivable and deferred inflows relate to mill levy amounts to be collected and recognized as revenue in 2018. Changes in District assets, liabilities, and deferred inflows were as follows:

Total assets of the District increased by \$2,692,197 from 2016 to 2017:

- Cash increased by \$2,417,416 due to an increase in mill levy income and an improvement in the net cash used by operating activities. Patient cash collections increased over 2016 by \$533,693.
- Patient receivables fell by \$129,147 due to the increase in patient collections.
- Capital assets of the District decreased due to depreciation exceeding the rate of the purchase of new capital equipment.
- Current liabilities increased due to an increase in year-end payroll accruals from 2016 to 2017.
- Deferred inflows increased related to the increase in assessed 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. Unrestricted Net Position represents the second largest subset of the District’s Net Position. Prior to 2017, the District experienced a steady decline in Unrestricted Net Position due to expenditures exceeding total revenue for the last several years. We are pleased to present a healthy surplus in 2017, which bolsters the Unrestricted Net Position, setting us up well to meet future capital, technological and staffing investment needs.

**SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Years ending December 31,	<u>2017</u>	<u>2016</u>
<b>REVENUE</b>		
<b>OPERATING REVENUE</b>		
Ambulance service revenue, net	\$ 3,471,554	\$ 2,663,332
<b>NONOPERATING REVENUE</b>		
Property taxes	7,519,008	5,461,558
Specific ownership taxes	391,066	267,183
Net investment income	86,325	41,635
Other	<u>385,404</u>	<u>65,591</u>
Total non-operating revenue	<u>8,381,803</u>	<u>5,835,967</u>
Total revenue	<u>11,853,357</u>	<u>8,499,299</u>
<b>EXPENSES</b>		
<b>OPERATING EXPENSES</b>		
Ambulance services	9,425,328	9,000,376
<b>NONOPERATING EXPENSES</b>		
County Treasurer’s collection fees	225,504	163,877
Interest expenses	<u>-</u>	<u>-</u>
Total non-operating expenses	<u>225,504</u>	<u>163,877</u>
Total expenses	<u>9,650,832</u>	<u>9,164,253</u>
<b>CHANGE IN NET POSITION</b>	2,202,525	(664,954)
<b>NET POSITION – BEGINNING OF YEAR</b>	<u>18,428,108</u>	<u>19,093,062</u>
<b>NET POSITION – END OF YEAR</b>	<u>\$ 20,630,633</u>	<u>\$ 18,428,108</u>

Total revenue for the District increased by \$3,354,058 over 2016, coming both from a large increase in mill levy property tax revenue as well as patient revenue increases.

Total expenses increased by \$486,579 primarily due to investments in staff development and training, salaries and benefits, and medical supplies. Prior to 2017, the District greatly reduced spending in all of these areas in severe cost savings measures. Further, savings in expenditures were realized across the board in all other line items, such as repairs and maintenance, utilities, legal fees, and miscellaneous expenditures. While we experienced a large increase in expenses, the increase was greatly offset by the substantial increase in revenues, allowing for the positive change in net position at year-end.

## 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 method is required by State statute.

- Total actual revenues exceeded budget by \$809,783 – due to higher ambulance service revenue, specific ownership tax revenue, and grant revenues..
- Total actual expenditures were substantially under budget by \$944,956 – the most substantial savings were in salaries and benefits, capital outlay and capital contingency reserves.

## 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:

	<b>CAPITAL ASSETS</b> <b>(net of accumulated depreciation)</b>	
<b>As of December 31,</b>	<u>2017</u>	<u>2016</u>
Land	\$ 1,042,148	\$ 1,042,148
Construction in progress	0	0
Transportation and other equipment	1,180,780	944,722
Buildings and improvements	<u>10,266,215</u>	<u>10,630,532</u>
	<u>\$ 12,489,143</u>	<u>\$12,617,402</u>

In prior years, management purposefully put off the purchase of additional capital in order to preserve cash. In 2017, the District was excited to move forward with the purchase of three new ambulances to add to its aging fleet, which will greatly help support the increased patient call volume. We were also able to purchase new cardiac monitors. As often as possible, the District searches out and utilizes grant funding for Capital purchases. In 2017, grant revenues used toward capital outlays amounted to over \$350,000.

## 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 2018. Continued sharp increases in real estate prices from 2015-2017 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 impact.

- 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 Eagle County area.
- Looking ahead, the District is planning for the impact of the collision of continued property value increases and the limitations of the Gallagher and TABOR amendments, which continues to limit the revenues that Special Districts can realize from property value increases. Eagle County Health Services District is actively involved with the Special District Association, Eagle County Commissioners, and the Colorado State Legislature to stay on top of and hopefully, help direct future developments around these two issues.
- 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.
- Ambulance rates were increased by 3% in 2018. This was made to more closely align the charges with the cost of providing care. Prior to 2017, rates were held constant for more than two years.
- 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 \$7,516,983 in 2017 to \$7,955,641, an increase of \$438,658.
- 2018 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 in 2018 while implementing some additional staff salary increases, positions, and professional development, which have been withheld for years because of adverse financial performance prior to 2017. We are looking ahead to 2018 and beyond and preparing for further health benefit increases as the health marketplace experiences continued volatility.
- Overall, the district is budgeting a net operating surplus of approximately \$1.1 million in 2018. The increase in net position is primarily intended to prepare for future uncertainty in mill levy revenues, grow the organization's cash reserves, allow for investment in future capital purchases to address delayed replacements of ambulances, equipment, and facilities.

### **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 Amy Waldes, Chief Financial Officer, PO Box 990, Edwards, Colorado 81632.

Eagle County Health Service District

STATEMENT OF NET POSITION

December 31, 2017

ASSETS		
Current assets		
Cash and cash equivalents		\$ 7,038,614
Receivables		
Patient, net of allowances of \$674,080		781,247
Property taxes		7,956,786
Prepaid expenses		90,318
	Total current assets	<u>15,866,965</u>
Noncurrent assets		
Employee notes receivable		1,066,045
Capital assets, net of depreciation		12,489,143
	Total assets	<u>29,422,153</u>
LIABILITIES		
Current liabilities		
Accounts payable		73,973
Accrued payroll and compensated absences		760,758
	Total current liabilities	<u>834,731</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes		<u>7,956,789</u>
	Total deferred inflows of resources	<u>7,956,789</u>
	Total liabilities and deferred inflows of resources	<u>8,791,520</u>
NET POSITION		
Net investment in capital assets		12,489,143
Restricted for emergencies		344,215
Unrestricted		7,797,275
	Total net position	<u>\$ 20,630,633</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, 2017

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Operating revenues	
Charges for services, net	\$ 3,471,554
Operating expenses	
Salaries and employee benefits	7,114,834
Supplies and materials	331,525
Depreciation	729,601
Collection fees	61,560
Repairs and maintenance	146,309
Utilities	154,095
Professional development	146,729
Directors' fees	4,700
Audit and accounting fees	8,950
Insurance	64,488
Legal	21,218
Contracted services	469,757
Communications	41,514
Community service	25,740
Miscellaneous	104,308
	<u>9,425,328</u>
	Total operating expenses
	Operating income (loss) (5,953,774)
Non-operating revenues (expenses)	
Property taxes	7,519,008
Specific ownership tax	391,066
Other income	5,510
Interest earned	86,325
Gain on sale of assets	26,000
Grants	353,894
County Treasurer's collection fees	(225,504)
	<u>8,156,299</u>
	Total non-operating revenues (expenses)
Change in net position	2,202,525
Net position, beginning of year	<u>18,428,108</u>
Net position, end of year	<u><u>\$ 20,630,633</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, 2017

Cash flows from operating activities	
Cash received from charges for services	\$ 3,600,701
Cash payments to suppliers	(1,659,921)
Cash payments to employees	(7,046,524)
Net cash provided by (used in) operating activities	<u>(5,105,744)</u>
Cash flows from noncapital financing activities	
Cash received from property tax collections	7,910,077
Treasurer fees paid	(225,504)
Cash from contributions	353,894
Other receipts	5,510
Net cash provided by (used in) noncapital financing activities	<u>8,043,977</u>
Cash flows from capital and related financing activities	
Proceeds from sale of assets	26,000
Purchase of equipment	(601,342)
Net cash provided by (used in) capital and related financing activities	<u>(575,342)</u>
Cash flows from investing activities	
Interest received	86,325
Proceeds from payments on loans receivable	113,400
Employee housing loans made	(145,200)
Net cash provided by (used in) investing activities	<u>54,525</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>2,417,416</u>
Cash and cash equivalents at the beginning of the year	4,621,198
Cash and cash equivalents at the end of the year	<u><u>\$ 7,038,614</u></u>
Reconciliation of Operating Loss to Net Cash	
Provided by (Used in) Operating Activities	
Operating loss	\$ (5,953,774)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	729,601
Change in assets and liabilities	
(Increase) decrease in accounts receivable	129,147
(Increase) decrease in prepaid expense	(60,584)
Increase (decrease) in accounts payable	(18,444)
Increase (decrease) in accrued liabilities	68,310
Total adjustments	<u>848,030</u>
Net cash provided by (used in) operating activities	<u><u>\$ (5,105,744)</u></u>

The accompanying notes are an integral part of this statement.

Eagle County Health Service District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**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, 2017

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**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 2017 year.

The budget basis of accounting differs from the GAAP basis in that outlay for the acquisition of capital assets is included as expenditures and gain on the sale of capital assets is excluded from 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, 2017

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**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, 2017

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**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 \$2,151,566 for 2017. 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 \$76,530 in 2017.

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.

**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, 2017 were \$657,288 of which \$250,000 was insured and the remainder of \$407,288 was covered by PDPA as discussed above.

Eagle County Health Service District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED**

At December 31, 2017 the District's cash deposits had a carrying value as follows:

Cash in banks	\$ <u>638,196</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 of the District at December 31, 2017 are as follows:

Public entity investment pools (COLOTRUST)	\$ <u>6,400,418</u>
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At December 31, 2017, the District had invested \$6,400,418 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. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair value.

**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, 2017, 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, 2017

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**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, 2017, the District held its investments as follows: \$69,166 invested in COLOTRUST PRIME and \$6,331,252 invested in COLOTRUST PLUS. Investments in COLOTRUST equal 100% of the District’s total investments.

**NOTE C – PROPERTY TAXES**

Property taxes for 2017, collectible in 2018, were certified by the Eagle County Commissioners before December 31, 2017. Property taxes attached as an enforceable lien on January 1, 2018 and are due in total April 30, 2018 or in equal installments February 28, 2018 and June 15, 2018, at the option of the taxpayer. Property taxes for 2017, collectible in 2018, 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, 2017, 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>3,591,406</u>	<u>601,342</u>	<u>419,356</u>	<u>3,773,392</u>
Total capital assets, being depreciated	17,886,337	601,342	419,356	18,068,323
Less accumulated depreciation for:				
Buildings and improvements	3,664,399	364,317	-	4,028,716
Transportation and other equipment	<u>2,646,684</u>	<u>365,284</u>	<u>419,356</u>	<u>2,592,612</u>
Total accumulated depreciation	<u>6,311,083</u>	<u>729,601</u>	<u>419,356</u>	<u>6,621,328</u>
Total capital assets, being depreciated	<u>11,575,254</u>	<u>(128,259)</u>	<u>-</u>	<u>11,446,995</u>
Total capital assets, net	<u>\$ 12,617,402</u>	<u>\$ (128,259)</u>	<u>\$ -</u>	<u>\$ 12,489,143</u>

Eagle County Health Service District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**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 2017 is \$344,215.

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 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.

Eagle County Health Service District

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**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 \$712,240 for the year ended 2017. 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 eleven loans outstanding ranging from \$40,000 to \$528,125, with a total balance of \$1,066,045 at December 31, 2017. 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.

Eagle County Health Service District

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

Year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Ambulance service revenues	\$ 6,194,117	\$ 6,194,117	\$ 6,693,603	\$ 499,486
Contractual allowances and bad debts	(2,989,526)	(2,989,526)	(3,222,049)	(232,523)
Property taxes	7,516,983	7,516,983	7,519,008	2,025
Specific ownership taxes	225,000	225,000	391,066	166,066
Interest income	36,000	36,000	86,325	50,325
Grants and donations	-	-	353,894	353,894
Other	35,000	35,000	5,510	(29,490)
<b>Total revenues</b>	<b>11,017,574</b>	<b>11,017,574</b>	<b>11,827,357</b>	<b>809,783</b>
<b>Expenses</b>				
Salary and wages	5,428,748	5,428,748	5,197,262	231,486
Payroll taxes and benefits	2,163,555	2,163,555	1,917,572	245,983
Collection fees	44,779	44,779	61,560	(16,781)
Mountain rescue	5,000	5,000	1,080	3,920
Supplies and materials	386,750	386,750	331,525	55,225
Repairs and maintenance	179,000	179,000	146,309	32,691
Utilities	189,000	189,000	154,095	34,905
Professional development	204,675	204,675	146,729	57,946
Director's fees	6,000	6,000	4,700	1,300
Audit and accounting fees	10,000	10,000	8,950	1,050
Insurance	71,000	71,000	64,488	6,512
Legal	33,000	33,000	21,218	11,782
Contracted services	455,264	455,264	469,757	(14,493)
Communications	48,750	48,750	41,514	7,236
Community service	44,500	44,500	25,740	18,760
Miscellaneous	113,250	113,250	103,228	10,022
County Treasurer's fees	225,408	225,408	225,504	(96)
Depreciation	695,451	695,451	729,601	(34,150)
Contingency and emergency reserve	175,000	175,000	-	175,000
Capital outlay	718,000	718,000	601,342	116,658
<b>Total expenditures</b>	<b>11,197,130</b>	<b>11,197,130</b>	<b>10,252,174</b>	<b>944,956</b>
Excess revenue over (under) expenses	<b>\$ (179,556)</b>	<b>\$ (179,556)</b>	<b>1,575,183</b>	<b>\$ 1,754,739</b>
<b>Adjustments to budgetary basis</b>				
Add gain on sale of assets			26,000	
Add capital outlay			601,342	
Change in net position			<u>\$ 2,202,525</u>	

Eagle County Health Service District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAX COLLECTIONS

December 31, 2017

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	7,509,803	99.9%
2018	3,009,029,790	2.753	7,956,786		

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.