

**South Park Ambulance District
Fairplay, Colorado**

**Financial Statements
December 31, 2017**

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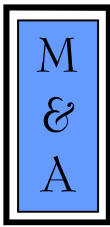
Office of the State Auditor

September 18, 2018

**South Park Ambulance District
Financial Statements
December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
South Park Ambulance District**

Report on the Financial Statements

We have audited the accompanying financial statements of the South Park Ambulance District (the "District"), as of and for the year ended December 31, 2017, as listed in the table of contents, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
South Park Ambulance District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Park Ambulance District as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B 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 Management's Discussion and Analysis in Section B 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The individual fund budgetary comparison is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
September 17, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



SOUTH PARK AMBULANCE DISTRICT

Management's Discussion and Analysis December 31, 2017

We, the financial managers of the South Park Ambulance District (the "District"), offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as net position. Over time, increases or decreases in 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 Fund Net Position shows how the government's net position changed during the years presented. 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).

The Statement of Cash Flows shows the District's sources of cash inflows and outflows during the years presented. Cash flows are categorized among operating, non-capital financing, capital and related financing and investing activities, and unlike items reported in the Statement of Revenues, Expenses and Changes in Fund Net Position, these amounts are reported on the cash basis of accounting.

The Schedule of Revenues and Expenditures – Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis provides a detailed comparison of the District's actual revenues and expenditures to budgeted amounts; the District's budget was adopted in a manner that is presented on a Non-GAAP basis with a reconciliation to GAAP basis and is shown in Section E.

The business-type activity of the District relates to the provision of emergency medical services and ambulance transportation.

The District's financial statements can be found in Section C of this report.

Overview of the Financial Statements (continued)

Proprietary Funds

The District maintains a proprietary fund commonly known as an enterprise fund. Enterprise funds are used to report business-type activities. The District uses an enterprise fund to account for its emergency medical services and ambulance transportation.

Notes to the Financial Statements

The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Financial Analysis of the District

The following chart shows the District's assets, liabilities, and net position for 2017 and 2016:

South Park Ambulance District's Net Position

	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 1,223,105	1,391,097
Capital assets	<u>1,156,935</u>	<u>1,257,170</u>
Total Assets	<u>2,380,040</u>	<u>2,648,267</u>
Liabilities:		
Other liabilities	8,195	31,576
Long-term liabilities	<u>127,803</u>	<u>307,815</u>
Total Liabilities	<u>135,998</u>	<u>339,391</u>
Deferred Inflows of Resources:		
Unavailable property tax	861,926	848,169
Net Position:		
Invested in capital assets, net of related debt	1,057,265	974,746
Unrestricted	<u>324,851</u>	<u>485,961</u>
Total Net Position	<u>\$ 1,382,116</u>	<u>1,460,707</u>

In 2017, the current assets decreased due to a decrease in cash and cash equivalents, primarily due to decreased ambulance service charges, debt principal payments, and increased salaries. Overall liabilities decreased due to the District paying off the capital lease for the building during 2017.

Approximately 76% of the District's net position reflects its investment in capital assets, net of related debt. The outstanding debt on the loans (discussed in pages D7 through D8 of the Notes to the Financial Statements) is the amount by which capital assets have been reduced in this component of net position. The District uses these capital assets to provide services to its citizens; therefore, these net are not available for future spending. The remaining balance of net position totaling \$324,851 may be used to meet the District's ongoing obligations relating to its operations.

Financial Analysis of the District (continued)

At the end of 2017 and 2016 fiscal years, the District is able to report positive balances in both categories of net position. Overall, the District's net position decreased slightly from the prior year, reflecting expense control and adequate financial resources for operations.

The following chart is a summary of information relating to the District's Statement of Revenues, Expenses and Changes in Fund Net Position:

South Park Ambulance District's Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 573,691	652,248
General revenues:		
Property taxes	844,168	831,684
Specific ownership taxes	120,463	101,626
Investment income	5,138	4,463
Miscellaneous income	2,632	8,000
Total Revenues	<u>1,546,092</u>	<u>1,598,021</u>
Expenses:		
Operating expenses	1,182,719	1,160,091
Bad debts	334,838	346,780
Depreciation	100,235	88,834
Interest expense	6,891	14,394
Total Expenses	<u>1,624,683</u>	<u>1,610,099</u>
Change in Net Position	(78,591)	(12,078)
Net Position - Beginning	<u>1,460,707</u>	<u>1,472,785</u>
Net Position - Ending	<u>1,382,116</u>	<u>1,460,707</u>

Property taxes were the most significant source of revenues, accounting for 55% of total revenues. Charges for services provided to patients accounted for 37% of revenues. Operating expenses increased mainly as the result of an increase in wages (\$49,303).

Budget Variances in the Enterprise Fund

The District was not required to amend the budget for the 2017 fiscal year; the expenses of the District's enterprise fund did not exceed the fund budget.

Significant budget variances were as follows:

<u>Account</u>	<u>Budget</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ambulance service charges	\$650,000	573,691	(76,309)

Reason: Budgeted revenue to be consistent with last year. However, 2016 was impacted by more calls requiring an ambulance ride to Denver/Colorado Springs/Salida (more mileage fees) and 2017 was impacted by more calls requiring a helicopter ride, which reduces ambulance fees as they do not incur mileage fees.

Budget Variances in the Enterprise Fund (continued)

Significant budget variances were as follows (continued):

<u>Account</u>	<u>Budget</u>	<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Bad debts	\$ 350,000	334,838	15,162

Reason: Conservative budgeting. After years of increasing Ambulance fees and under-budgeting of bad debt expense, management increased the budget in 2017. However, Ambulance fees decreased from the previous year, resulting in decreased bad debt.

Wages, taxes, and benefits	\$ 926,000	945,991	(19,991)
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Reason: After years of conservative over-budgeting of wages, taxes and benefits, management reduced the budget in 2017. Last year's actual amount was \$896,668. However, due to hiring two new staff, wage increases, and year-end bonuses, the District is over-budget for wages, taxes and benefits.

Worker's Compensation	\$ 30,000	\$17,172	12,828
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Reason: Conservative budgeting. Due to a large claim several years ago, insurance premiums have been higher than average in recent years. Management expected the premiums to go down, but budgeted similar to last year to be conservative. The actual amount for 2017 is more in line with what premiums should be and are similar to 2011 and 2012 expense (before the large claim).

Capital Asset and Debt Administration

Capital Assets: The District's net capital assets decreased by \$100,235 due to current year depreciation expense. Additional information as well as a detailed classification of the District's capital assets can be found in the Notes to the Financial Statements on page D7.

Long-term Debt: The District has long-term debt in the form of lease-purchase obligations. As of the end of the current fiscal year, the District's long term liability decreased by \$182,755 as a result of lease principal payments made in 2017. Additional information can be found in the Notes to the Financial Statements on pages D7 through D8 of this report.

Next Year's Budget and Rates

The District's unrestricted net position was \$324,851 at the end of the current year. The District's 2018 budget anticipates available resources (beginning fund balance plus revenues) of \$1,982,177 and \$1,849,549 of expenditures.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to South Park Ambulance District, P.O. Box 417, Fairplay, Colorado 80440.

FINANCIAL STATEMENTS

**South Park Ambulance District
Statement of Net Position
December 31, 2017
(With Comparative Totals for 2016)**

	2017	2016
Assets:		
Current Assets:		
Cash and cash equivalents	236,984	400,863
Accounts receivable - Less : allowance for uncollectible accounts of \$85,000 and \$85,000, as of December 31, 2017, and 2016, respectively	108,382	110,629
Property taxes receivable	861,926	848,169
Prepaid items	15,813	31,436
Total Current Assets	1,223,105	1,391,097
Non-current Assets:		
Capital assets, net	1,156,935	1,257,170
Total Non-current Assets	1,156,935	1,257,170
Total Assets	2,380,040	2,648,267
 Liabilities:		
Current Liabilities:		
Accounts payable	4,392	20,785
Payroll liabilities and benefits	2,125	3,975
Accrued interest payable	1,678	6,816
Capital leases payable	49,070	182,754
Total Current Liabilities	57,265	214,330
Non-current Liabilities:		
Accrued compensated absences	28,133	25,391
Capital leases payable	50,600	99,670
Total Non-current Liabilities	78,733	125,061
Total Liabilities	135,998	339,391
 Deferred Inflows of Resources:		
Unavailable property taxes	861,926	848,169
Total Deferred Inflows of Resources	861,926	848,169
 Net Position:		
Net investment in capital assets	1,057,265	974,746
Unrestricted	324,851	485,961
Total Net Position	1,382,116	1,460,707

The accompanying notes are an integral part of these financial statements.

South Park Ambulance District
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Operating Revenues:		
Charges for services	573,691	652,248
Miscellaneous	2,632	8,000
Total Operating Revenues	576,323	660,248
Operating Expenses:		
Ambulance service	1,182,719	1,160,091
Bad debts	334,838	346,780
Depreciation	100,235	88,834
Total Operating Expenses	1,617,792	1,595,705
Operating (Loss)	(1,041,469)	(935,457)
Non-operating Revenues (Expenses):		
Investment income	5,138	4,463
Property taxes	844,168	831,684
Specific ownership taxes	120,463	101,626
Interest expense	(6,891)	(14,394)
Total Non-operating Revenues	962,878	923,379
Change in Net Position	(78,591)	(12,078)
Net Position - Beginning	1,460,707	1,472,785
Net Position - Ending	1,382,116	1,460,707

The accompanying notes are an integral part of these financial statements.

South Park Ambulance District
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash Flows From Operating Activities:		
Cash received from customers and others	243,733	302,794
Cash payments for goods and services	(237,498)	(265,973)
Cash payments to employees and for benefits	(945,099)	(898,597)
Net Cash (Used) by Operating Activities	(938,864)	(861,776)
Cash Flows From Non-Capital Financing Activities:		
Cash received from property and specific ownership taxes	964,631	933,310
Net Cash Provided by Non-Capital Financing Activities	964,631	933,310
Cash Flows From Capital and Related Financing Activities:		
Capital lease principal paid	(182,755)	(178,759)
Capital lease interest paid	(12,029)	(16,025)
Capital Outlay	-	(920)
Net Cash (Used) by Capital and Related Financing Activities	(194,784)	(195,704)
Cash Flows From Investing Activities:		
Interest income received	5,138	4,463
Net Cash Provided by Investing Activities	5,138	4,463
Net Increase in Cash and Cash Equivalents	(163,879)	(119,707)
Cash and Cash Equivalents - Beginning	400,863	520,570
Cash and Cash Equivalents - Ending	236,984	400,863
Reconciliation of Operating (Loss) to		
Net Cash (Used) by Operating Activities:		
Operating (loss)	(1,041,469)	(935,457)
Adjustments to reconcile operating (loss)		
to net cash (used) by operating activities:		
Depreciation	100,235	88,834
(Increase) decrease in accounts receivable	2,248	(10,675)
(Increase) decrease in prepaid items	15,623	(16,925)
Increase (decrease) in accounts payable	(16,393)	14,355
Increase (decrease) in accrued compensated absences	2,742	(1,780)
Increase (decrease) in wages payable	(1,850)	(128)
Total Adjustments	102,605	73,681
Net Cash (Used) by Operating Activities	(938,864)	(861,776)

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017**

I. Summary of Significant Accounting Policies

The South Park Ambulance District (the "District") was formed under Colorado statutes as a special district. The District's service area is located within the boundaries of Jefferson-Como Fire Protection District, Hartsel Fire Protection District and Northwest Fire Protection District primarily in southern Park County, Colorado, with the purpose to provide ambulance, medical transportation and emergency medical services within its boundaries. Five elected board members govern the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Accounting Policies

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District uses a proprietary fund-type, an enterprise fund, to account for its activities of providing ambulance, medical transportation and emergency medical services to taxpayers within the District's boundaries. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private 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.

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Measurement Focus and Basis of Accounting

Proprietary funds use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for services. Operating expenses for the enterprise fund include the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts

1. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. The District's policy is to establish an allowance for uncollectible accounts based on historical experience and individual analysis of accounts.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

4. Prepaid Expenses

Prepaid expenses are amounts paid in the current year for expenses related to subsequent years.

5. Capital Assets

Capital assets, which include land, a building, vehicles, and equipment, are reported in the District's financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed, if applicable.

The building, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Vehicles and equipment	5-10

6. Compensated Absences

Earned but unused vacation benefits are accrued when incurred in the financial statements.

7. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This 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 District has one type of item that qualifies for reporting in this category. The item, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period the amounts become available and earned.

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The proprietary fund was adopted on a non-GAAP budgetary basis and has been reconciled to a GAAP basis in the financial statements.

Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level and all appropriations lapse at year-end.

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2017.

1. For the 2017 budget year, prior to August 25, 2016, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10th only once by a single notification to the District.
2. The Manager of the District submitted, on or before October 15, 2016, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2016, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; however, no supplemental appropriations were made during 2017; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2016 were collected in 2017 and taxes certified in 2017 will be collected in 2018. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

The District's voters approved the following Tabor ballot question on May 7, 1996:

Without imposing any new taxes or increases in tax rates, shall the South Park Ambulance District be authorized to retain all revenues from all sources in 1996 and subsequent years, and spend the same as a voter-approved revenue change and an exception to limits which would otherwise apply for each of said years?

The District's voters approved the following ballot question on November 2, 1999:

Shall the South Park Ambulance District be authorized to collect, retain and spend all revenues and other fund received from any source, including the District's existing property tax rate of 3.749 mills, which rate shall not be increased without voter approval, commencing January 1, 1999, and continuing thereafter until repealed, as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under TABOR or any other law as a permanent waiver of the 5.5% limitation under section 29-1-301, C.R.S.?

The District's management believes that it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

III. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the Town's interest-bearing deposits at each financial institution. Non-interest-bearing deposits are fully insured by the FDIC. Interest-bearing deposit balances over \$250,000 are collateralized as required by PDPA.

There were no investments requiring disclosure of the fair value hierarchy as of December 31, 2017.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

B. Summary and Reconciliation to Financial Statement Captions

At December 31, 2017, the District had no unrealized gains or losses. The District had the following cash and investments with the following maturities:

<u>Type:</u>	<u>Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Checking	Unrated	\$ 47,783	47,783	-
Petty cash	Unrated	200	200	-
<i>Investments:</i>				
Investment pool	AAAm	189,001	189,001	-
		<u>\$ 236,984</u>	<u>236,984</u>	<u>-</u>
<u>Financial Statement Captions:</u>				
Cash and cash equivalents		<u>\$ 236,984</u>		
		<u>\$ 236,984</u>		

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

III. Detailed Notes on All Funds (continued)

B. Summary and Reconciliation to Financial Statement Captions (continued)

The investment pool represents an investment in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The investment is measured at the net asset value, and the fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

C. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 8,186	-	-	8,186
Total capital assets, not being depreciated	<u>8,186</u>	<u>-</u>	<u>-</u>	<u>8,186</u>
Capital assets, being depreciated:				
Building	1,555,740	-	-	1,555,740
Vehicles	629,027	-	-	629,027
Medical equipment	94,236	-	(11,290)	82,946
Communications equipment	7,791	-	(7,791)	-
Office equipment	6,293	-	(6,293)	-
Total capital assets being depreciated	<u>2,293,087</u>	<u>-</u>	<u>(25,374)</u>	<u>2,267,713</u>
Less accumulated depreciation for:				
Building	(539,967)	(38,893)	-	(578,860)
Vehicles	(397,473)	(59,685)	-	(457,158)
Medical equipment	(92,579)	(1,657)	11,290	(82,946)
Communications equipment	(7,791)	-	7,791	-
Office equipment	(6,293)	-	6,293	-
Total accumulated depreciation	<u>(1,044,103)</u>	<u>(100,235)</u>	<u>25,374</u>	<u>(1,118,964)</u>
Total capital assets, being depreciated, net	<u>1,248,984</u>	<u>(100,235)</u>	<u>-</u>	<u>1,148,749</u>
Total capital assets, net	<u>\$ 1,257,170</u>	<u>(100,235)</u>	<u>-</u>	<u>1,156,935</u>

D. Long-Term Liabilities

1. Capital Leases

(a) Building

On April 30, 2002, the District entered into a lease purchase agreement with Wells Fargo Brokerage Services, LLC in the amount of \$1,425,000 to provide for the financing of a new facility in Fairplay, Colorado. Payments in the amount of \$142,604 are due in annual installments, including interest at 5.5% through June 1, 2017.

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

III. Detailed Notes on All Funds (continued)

D. Long-Term Liabilities (continued)

1. Capital Leases (continued)

(b) Ambulance

On February 29, 2016, the District entered into a lease purchase agreement with Wells Fargo Brokerage Services, LLC in the amount of \$197,891 to provide for the financing of a new ambulance in Fairplay, Colorado. Payments in the amount of \$52,180 are due in annual installments, including interest at 3.12% through June 15, 2019.

2. Schedule of Changes in Long-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases:					
Building	\$ 135,169	-	(135,169)	-	-
Ambulance	147,255	-	(47,585)	99,670	49,070
Total Capital Leases	<u>282,424</u>	<u>-</u>	<u>(182,754)</u>	<u>99,670</u>	<u>49,070</u>
Compensated absences	25,391	-	(2,742)	28,133	-
Total	<u>\$ 307,815</u>	<u>-</u>	<u>(185,496)</u>	<u>127,803</u>	<u>49,070</u>

3. Schedule of Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 49,070	3,110	52,180
2019	50,600	1,579	52,179
	-	-	-
	<u>\$ 99,670</u>	<u>4,689</u>	<u>104,359</u>

4. Net Book Value of Assets Acquired via Lease Purchase Agreements

The net book value of the asset acquired through the capital leases as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 1,555,740	(578,860)	976,880
Ambulance	196,529	(42,113)	154,416

Amortization of leased buildings, equipment, and vehicles under capital assets is included with depreciation expense.

South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers compensation; general liability, unemployment, torts; theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

B. SEP Pension Plan

The District provides pension benefits for all of its employees through a defined contribution SEP plan. The plan is administered by Morgan Stanley Dean Witter. In the SEP plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees who are at least 21 years of age are allowed to participate at the time of employment. The plan requires the District to contribute an amount equal to a percentage of each employee's compensation each year. The percentage must be the same for each employee. For 2017, the District contributed 5%. The District's contribution for each employee is paid directly into each employee's separate account and is 100% vested upon contribution. The District has no control over the funds and can make no investment decisions. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

The employees are allowed to make voluntary contributions of 2 – 15% of their compensation to their accounts. The total contributed by the employee and the District combined cannot exceed the lesser of 25% of the employee's compensation or \$16,500.

The District made the required 5% contribution which amounted to \$36,014 for 2017. Employees made contributions of \$48,711 for 2017.

C. Medical Billings Services Agreement

On May 14, 2003, the District entered into an agreement with EMS/Medical Billing Solutions, Inc. to provide medical billing services to the District. The contract had an initial term of one year with automatic one year renewals until either party provides 30 days written notice of termination. Under the terms of the contract, EMS/Medical Billing Solutions, Inc. received 7% of the total amount of medical bills collected. For the year ended 2017, the District incurred \$18,572 of expenses under this agreement.

D. Subsequent Events

1. Ambulance Purchase

On January 24, 2017, the Board authorized the District to submit an application for a state grant to purchase a new ambulance with a 50% District funds match. The ambulance was purchased on April 23, 2018 for \$168,849. Previously, on April 6, 2018, the District disposed and sold their 2005 Ambulance to the Southern Park County Fire Protection District for the amount of \$9,000 in anticipation of the purchase of the new ambulance. The District received \$84,925 in grant proceeds from the Colorado Department of Public Health on May 8, 2018 to assist with the purchase of the new ambulance.

**South Park Ambulance District
Notes to the Financial Statements
December 31, 2017
(Continued)**

D. Subsequent Events (continued)

2. Mill Levy Increase

On May 8, 2018, the District's voters approved the following ballot question:

Shall South Park Ambulance District taxes be increased \$1,322,202 annually, or by such amount as may be raised by the imposition of an additional mill levy rate of up to 5.751 mills, the revenue therefrom to pay for the District's general operations, including ambulance, emergency medical and rescue services, and for capital expenses, resulting in a total District property tax rate not to exceed 9.5 mills, with the District's total mill levy rate subject to adjustment to offset refunds, abatements and changes to the percentage of actual valuation used to determine assessed valuation; and shall South Park Ambulance District be authorized to collect, retain and spend the proceeds of such total mill levy rate as a voter-approved revenue change, offset and exception to the limits which would otherwise apply under TABOR (Article X, Section 20 of the Colorado Constitution) or any other law and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.?

SUPPLEMENTARY INFORMATION

South Park Ambulance District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for 2016)

	2017		Variance Positive (Negative)	2016
	Original and Final Budget	Actual		Actual
Revenues:				
Ambulance service charges	650,000	573,691	(76,309)	652,248
Property taxes	848,169	844,168	(4,001)	831,684
Specific ownership taxes	100,000	120,463	20,463	101,626
Investment income	5,000	5,138	138	4,463
Miscellaneous	-	2,632	2,632	8,000
Total Revenues	<u>1,603,169</u>	<u>1,546,092</u>	<u>(57,077)</u>	<u>1,598,021</u>
Expenditures:				
Ambulance Service:				
Accounting and audit	7,300	7,213	87	6,900
Advertising	200	732	(532)	199
Ambulance billing fee	23,000	18,572	4,428	19,157
Bad debts	350,000	334,838	15,162	346,780
Building	20,000	7,364	12,636	17,137
Communications	3,500	2,721	779	2,218
Dues and subscriptions	600	501	99	501
EMS supplies	25,000	15,703	9,297	23,191
Insurance	29,500	28,034	1,466	26,801
Legal	8,000	1,753	6,247	3,959
Office supplies	2,000	2,201	(201)	8,507
Other	7,250	713	6,537	582
Payroll and pension service fees	2,800	1,748	1,052	4,292
Pension contribution	35,850	36,014	(164)	36,178
Professional fees	13,450	13,949	(499)	12,861
Seminars and training	1,000	77	923	2,090
Travel and meals	4,000	1,862	2,138	2,356
Treasures' fees	27,000	25,255	1,745	25,061
Uniforms	5,000	2,688	2,312	2,236
Utilities	28,000	25,003	2,997	25,925
Vehicle repairs and maintenance	27,000	27,453	(453)	13,530
Wages, payroll taxes, and benefits	926,000	945,991	(19,991)	896,688
Workers compensation	30,000	17,172	12,828	29,721
Capital Outlay:				
Capital Outlay	15,000	-	15,000	920
Debt Service:				
Principal, interest, and agent fees	195,179	189,646	5,533	193,153
Total Expenditures	<u>1,786,629</u>	<u>1,707,203</u>	<u>79,426</u>	<u>1,700,943</u>
Excess (Deficiency) of Revenues Over Expenditures	(183,460)	(161,111)	<u>22,349</u>	(102,922)
Reconciliation to GAAP Basis:				
Capital outlay		-		920
Lease principal payments		182,755		178,758
Depreciation expense		(100,235)		(88,834)
Net Income - GAAP Basis		<u>(78,591)</u>		<u>(12,078)</u>

The accompanying notes are an integral part of these financial statements.