



FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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Independent Auditors' Report

Board of Directors
Thompson Valley Health Services District
Loveland, Colorado

We have audited the accompanying basic financial statements of the Thompson Valley Health Services District as of and for the years ended December 31, 2017 and 2016, 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Thompson Valley Health Services District as of December 31, 2017 and 2016, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenues, expenses and changes in fund net position-budget to actual is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information 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 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 auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States require that management discussion and analysis 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, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

June 21, 2018

THOMPSON VALLEY HEALTH SERVICES DISTRICT

c/o TVEMS

4480 Clydesdale Parkway - Loveland, Colorado 80538

Phone (970) 663-6025

A Special Colorado Health Services District

Serving Southern Larimer County Since 1968

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Thompson Valley Health Services District (the District or TVHSD) for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- * TVHSD's assets exceeded liabilities and deferred inflows by \$6.1 million at December 31, 2017. Of this amount, \$234,833 is reserved for debt service.
- * The December 31, 2017 net position is nearly \$373,000 less than the previous year.
- * Reimbursement for ambulance operations continues to be primarily from insurance companies, Medicare, Medicaid, and private pay patients. Reimbursements collected increased approximately 4% in 2017. Ambulance calls which were billed were approximately 8,856 in 2017 and 8,545 in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to TVHSD's financial statements which follow. The statements include:

1. Statements of Net Position
2. Statements of Revenue, Expenses, and Changes in Fund Net Position
3. Statements of Cash Flows
4. Notes to Financial Statements.

Statements of net position at December 31, 2017 and 2016 present all of the District's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position would provide an indication of whether the District's financial position is improving or deteriorating.

Statements of revenue, expenses, and changes in fund net position present TVHSD revenue and expenses for the years ended December 31, 2017 and 2016.

Statements of cash flows show the net cash flows from activities for the years ended December 31, 2017 and 2016.

These statements' are in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. These pronouncements address the requirements for financial statement presentation and certain disclosures for state and local governmental entities. TVHSD's financial statements comply with all material requirements of these pronouncements.

These statements provide a snapshot of TVHSD’s assets, liabilities and deferred inflows as of December 31, 2017 and 2016 and the activities which occurred during those years. All statements were prepared using the accrual basis of accounting as required by GASB. These statements are on pages 8 through 10.

Notes to financial statements provide additional information which is essential to a full understanding of the basic financial statements. The notes to the financial statements can be found on pages 11 through 17 of this report.

Budgetary comparison shows the TVHSD annual appropriated budget. A budgetary comparison statement has been provided on page 18 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of December 31, 2017, assets exceeded liabilities and deferred inflows by \$6,121,735.

The following table provides a summary of the District’s net position:

| December 31 | 2017 | 2016 |
|----------------------------------|--------------|--------------|
| Assets: | | |
| Current and other assets | \$ 7,170,126 | \$ 7,082,843 |
| Capital assets (net) | 5,496,909 | 5,657,670 |
| Total Assets | 12,667,035 | 12,740,513 |
| Liabilities: | | |
| Current liabilities | 531,608 | 579,049 |
| Long-term liabilities | 2,948,383 | 3,016,033 |
| Total Liabilities | 3,479,991 | 3,595,082 |
| Deferred Inflows of Resources: | | |
| Deferred Property Taxes | 3,065,309 | 2,650,545 |
| Net Position: | | |
| Net investment in capital assets | 2,478,526 | 2,571,637 |
| Restricted – debt service | 234,833 | 232,444 |
| Restricted – emergencies | 87,045 | 84,837 |
| Unrestricted | 3,321,331 | 3,605,968 |
| Total Net Position | \$ 6,121,735 | \$ 6,494,886 |

A portion of TVHSD’s net position represents unrestricted net position of \$3,321,331 which may be used to meet the District’s ongoing obligations to citizens.

A significant portion of the District’s net position reflects its investment in capital assets. These assets include land, buildings, equipment, and vehicles, net of the debt incurred to purchase the assets. These capital assets are used to provide services to patrons; consequently, they are not available for future spending.

An additional \$321,878 of the District's net position represents resources that are subject to external restriction on how they may be used. Included in this category is the debt service reserve and TABOR emergency reserve.

The following table indicates the changes in net position:

| | 2017 | 2016 |
|-------------------------------------|--------------|--------------|
| Revenue: | | |
| Operating revenues: | | |
| Net patient services | \$ 3,846,034 | \$ 3,742,388 |
| Other | 50,070 | 49,166 |
| General revenue: | | |
| Property and S.O. taxes | 2,901,491 | 2,827,913 |
| Donations | 1 | 32,737 |
| Grants | 164,102 | 241,727 |
| Gain (loss) on sale of assets | (34,268) | (32,723) |
| Investment earnings | 15,287 | 8,082 |
| Total Revenue | 6,942,717 | 6,869,290 |
| Expenses: | | |
| Operations | 6,666,517 | 6,211,945 |
| Depreciation | 494,952 | 465,900 |
| Interest | 154,399 | 158,487 |
| Total Expenses | 7,315,868 | 6,836,332 |
| Increase (Decrease) in Net Position | (373,151) | 32,958 |

Business-Type Activities. Business-type activities decreased TVHSD's net position by \$373,151 in 2017. Key elements of this change are as follows:

- * Total revenues were approximately \$6.9 million or 1% more as compared to 2016. This increase is primarily due to increasing property taxes and an increasing amount of grants received.
- * Expenses were approximately \$7.3 million or 7% more than in 2016. This increase is primarily due to costs from increased calls.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado statutes and is on a non-GAAP basis.

| Year Ended December 31, 2017 | Budget | Actual |
|---|--------------|--------------|
| Beginning Fund Net Position | \$6,494,886 | \$6,494,886 |
| Revenue | 6,941,000 | 6,942,717 |
| Expenses | (7,847,783) | (7,315,868) |
| Ending Fund Net Position – Budget Basis | \$ 5,588,103 | \$ 6,121,735 |

CAPITAL ASSET ADMINISTRATION

Capital Assets. TVHSD's investment in capital assets for its business-type activities as of December 31, 2017, totals \$5,496,909 (net of accumulated depreciation). This investment includes all land, buildings, equipment, and vehicles. The total increase in capital assets for 2017 was \$160,761, due to new vehicles purchased being more than depreciation expense.

The District elects the straight-line depreciation method for its capital assets, except for land which is not depreciated. Additional information on the District's capital assets can be found in Note 3 to the financial statements.

DEBT ADMINISTRATION

Long-term Debt. At December 31, 2017, the District had \$3,070,000 from certificates of participation, funded from property taxes and patient services. This debt was entered into in 2010 for the purpose of constructing a new ambulance station headquarters, maintenance garage, and crew facilities on Clydesdale Parkway in Loveland.

Additional information on the District's debt can be found in Note 4 to the financial statements.

OTHER MATTERS

The following factors are expected to have a significant effect on the District's future financial position and results of operations:

- Additional reductions in ambulance reimbursement rates are anticipated. Medicare rates have decreased 5% in 2017 due to federal sequestration and private insurance carriers have decreased their reimbursements similarly.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of TVHSD's finances for all those with an interest in the District's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the District, 4480 Clydesdale Parkway, Loveland, Colorado 80538 or (970) 663-6025.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

STATEMENTS OF NET POSITION

| December 31 | 2017 | 2016 |
|--------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 3,231,876 | \$ 3,420,224 |
| Patient accounts receivable, net | 528,653 | 510,276 |
| Grants receivable | - | 168,709 |
| Property taxes receivable | 3,065,309 | 2,650,545 |
| Prepaid items | 109,455 | 100,645 |
| Total Current Assets | 6,935,293 | 6,850,399 |
| Restricted Assets: | | |
| Cash with fiscal agent | 234,833 | 232,444 |
| Capital Assets: | | |
| Land | 868,576 | 868,576 |
| Depreciable Assets | 8,495,376 | 8,350,723 |
| | 9,363,952 | 9,219,299 |
| Less: Accumulated depreciation | (3,867,043) | (3,561,629) |
| Total Capital Assets | 5,496,909 | 5,657,670 |
| TOTAL ASSETS | \$ 12,667,035 | \$ 12,740,513 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Deferred revenue | \$ 9,090 | \$ 15,710 |
| Accounts payable | 29,670 | 140,181 |
| Accrued expenses | 422,848 | 353,158 |
| Lease and COP's - current portion | 70,000 | 70,000 |
| Total Current Liabilities | 531,608 | 579,049 |
| Certificates of participation | 2,948,383 | 3,016,033 |
| Total Liabilities | 3,479,991 | 3,595,082 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Property Taxes | 3,065,309 | 2,650,545 |
| NET POSITION | | |
| Investment in Capital Assets | 2,478,526 | 2,571,637 |
| Restricted - debt service | 234,833 | 232,444 |
| Restricted - emergencies | 87,045 | 84,837 |
| Unrestricted | 3,321,331 | 3,605,968 |
| TOTAL NET POSITION | \$ 6,121,735 | \$ 6,494,886 |

See Accompanying Notes to Financial Statements.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION

| Years Ended December 31 | 2017 | 2016 |
|----------------------------------|--------------|--------------|
| Operating Revenue: | | |
| Net patient service revenue | \$ 3,846,034 | \$ 3,742,388 |
| Other | 50,070 | 49,166 |
| Total Operating Revenue | 3,896,104 | 3,791,554 |
| Operating Expenses: | | |
| Salaries and benefits | 4,991,048 | 4,634,973 |
| Ambulance service operations | 759,997 | 760,121 |
| Plant operations | 142,313 | 148,987 |
| Bad debt expense | 537,163 | 465,637 |
| Professional fees and insurance | 114,428 | 106,138 |
| Public relations | 49,319 | 23,551 |
| Administration | 19,409 | 20,462 |
| County Treasurer's fee | 52,840 | 52,076 |
| Depreciation | 494,952 | 465,900 |
| Total Operating Expenses | 7,161,469 | 6,677,845 |
| Operating Loss | (3,265,365) | (2,886,291) |
| Nonoperating Revenue (Expenses): | | |
| Property taxes | 2,901,491 | 2,827,913 |
| Grants | 164,102 | 241,727 |
| Contributions | 1 | 32,737 |
| Loss on disposal of assets | (34,268) | (32,723) |
| Interest income | 15,287 | 8,082 |
| Interest expense | (154,399) | (158,487) |
| Net Nonoperating Revenue | 2,892,214 | 2,919,249 |
| Net Income (Loss) | (373,151) | 32,958 |
| Net Position, Beginning of Year | 6,494,886 | 6,461,928 |
| Net Position, End of Year | \$ 6,121,735 | \$ 6,494,886 |

See Accompanying Notes to Financial Statements.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

STATEMENTS OF CASH FLOWS

| Years Ended December 31 | 2017 | 2016 |
|---|----------------|----------------|
| Cash Flows from Operating Activities: | | |
| Cash received: | | |
| From customers | \$ 3,408,174 | \$ 3,322,802 |
| Cash payments: | | |
| To suppliers for goods and services | (1,190,606) | (1,164,598) |
| To employees | (4,991,048) | (4,547,877) |
| Net Cash Used by Operating Activities | (2,773,480) | (2,389,673) |
| Cash Flows from Non-Capital Financing Activities: | | |
| Property taxes | 2,925,868 | 2,827,913 |
| Net Cash Provided by Non-Capital Financing Activities | 2,925,868 | 2,827,913 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition of equipment and improvements | (366,109) | (609,990) |
| Proceeds of sale of equipment | - | - |
| Payments on COP's and leases | (222,049) | (382,778) |
| Grants received | 247,422 | 241,727 |
| Net Cash Used by Capital and Related Financing Activities | (340,736) | (751,041) |
| Cash Flows from Investing Activities: | | |
| Interest on bank deposits | - | - |
| Net Increase (Decrease) in Cash | (188,348) | (312,801) |
| Cash, beginning of year | 3,420,224 | 3,733,025 |
| Cash, end of year | \$ 3,231,876 | \$ 3,420,224 |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities: | | |
| Operating income (loss) | \$ (3,265,365) | \$ (2,886,291) |
| Depreciation | 494,952 | 465,900 |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (266,501) | 555 |
| Prepaid items | (8,810) | (37,943) |
| Increase (decrease) in: | | |
| Accounts payable | (110,511) | 57,953 |
| Accrued liabilities | (25,389) | 13,503 |
| Deferred revenue | 408,144 | (3,350) |
| Net Cash Used by Operating Activities | \$ (2,773,480) | \$ (2,389,673) |

See Accompanying Notes to Financial Statements.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Thompson Valley Health Services District (the District) conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating the District's financial statements.

Organization:

Thompson Valley Health Services District (the District) was created by state statute on August 16, 1968 to provide medical services for the District under the name of Loveland Memorial Hospital District. Effective June 30, 1977, Loveland Memorial Hospital District changed its name to Thompson Valley Hospital District. Subsequent to that, effective June 28, 1998, the name changed to Thompson Valley Health Services District, as a quasi-municipal corporation organized under the laws of the State of Colorado. The statutory purpose of such districts is to serve a public use and to promote the health, safety, prosperity, security and general welfare of the inhabitants of the District. The District is governed by a duly-elected Board of Directors (the Board). The Board is responsible for approving the District's budget, contracts and purchases. The governing Board has the statutory right to tax all property within the District and determines when to issue bonds authorized by the District's voters. The District is responsible for financing its deficits and operating deficiencies.

The financial report of the District includes all of the integral parts of the District's operations. The District has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity.

Basis of Presentation:

Activities of the District are accounted for as an individual enterprise fund. Enterprise funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises.

Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net position. Enterprise fund operating statements present increases (revenue) and decreases (expenses) in net total position.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation – Continued:

Enterprise funds distinguish *operating* revenues from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges for providing ambulance services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting Method:

Enterprise fund revenue and expenses including nonexchange transactions are recognized on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and becomes measurable; expenses are recognized when liabilities are incurred.

Accounts Receivable:

The District records revenue from ambulance services at standard rates less expected provider contractual adjustments. Receivables are reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts netted against accounts receivable was \$287,103 and \$357,426 at December 31, 2017 and 2016, respectively.

The federal Medicare and Colorado Medicaid programs provide approximately 18% of the District's net patient service revenue.

Property and Equipment:

Property and equipment are recorded at acquisition cost or at market value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

| Category | Years |
|----------------------------|-------|
| Buildings and improvements | 20-40 |
| Furnishings | 5-10 |
| Equipment | 5 |

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Property and Equipment – Continued:

Expenditures for maintenance and repairs are charged to expense as incurred whereas major property replacements and betterments which extend the useful life of the asset are capitalized and subsequently depreciated. It is the District's policy to capitalize all capital expenditures over \$5,000. When assets are sold or abandoned, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The District has no infrastructure assets.

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with the Local Government Budget Law. The budget is prepared on a basis consistent with generally accepted accounting principles, except that depreciation expense is not budgeted. The fund level of classification is the level at which expenditures may not legally exceed appropriations. All annual appropriations lapse at year end.

The Board is authorized to transfer budgeted amounts within departments of each fund. Any revisions that alter the total appropriation for each department must be approved by the Board through a supplemental appropriation resolution. The budget was not amended in 2017.

Compensated Absences:

All full-time District employees accumulate sick leave for subsequent use. These accumulations do not vest and therefore are not recognized as expenditures by the District until used.

Employees also receive noncumulative vacation leave. No accrual of liability is made as vacation leave is generally taken and the amount outstanding at year end is immaterial.

Property Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in the subsequent year in two installments on February 28 and June 15, or in total on April 30. Property taxes are billed and collected by Larimer County, Colorado, and remitted monthly to the District. Taxes for the following year are levied no later than December 15, and are recorded as a receivable with a corresponding offset to deferred property taxes.

Property tax revenue is reported net of approximately \$198,000 of property tax abatements for the year ended December 31, 2017. Numerous tax increment financing districts have been established by municipalities in the District.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Statement of Cash Flows:

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

Use of Estimates:

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

NOTE 2 - Cash and Investments:

The District's bank deposits at year-end were entirely covered by federal depository insurance and the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

NOTE 3 – Changes in Capital Assets:

| | Balance, 01/01/17 | Additions | Deletions | Balance, 12/31/17 |
|--------------------------------|----------------------|------------|-----------|----------------------|
| Land | \$ 868,576 | \$ -- | \$ -- | \$ 868,576 |
| Ambulance stations | 4,142,547 | 18,890 | -- | 4,161,437 |
| Vehicles | 1,793,410 | 332,907 | 235,659 | 1,890,658 |
| Mobile equipment | 1,792,151 | 61,073 | 49,296 | 1,803,928 |
| Furnishings | 622,615 | 16,737 | -- | 639,352 |
| Total Cost | 9,219,299 | 429,608 | 284,955 | 9,363,952 |
| Less Accumulated Depreciation: | | | | |
| Ambulance stations | 959,134 | 106,438 | -- | 1,065,572 |
| Vehicles | 793,253 | 166,804 | 148,459 | 811,598 |
| Mobile equipment | 1,211,460 | 214,102 | 41,080 | 1,384,482 |
| Furnishings | 597,782 | 7,609 | -- | 605,391 |
| Total Accumulated Depreciation | 3,561,629 | 494,953 | 189,539 | 3,867,043 |
| Capital Assets, Net | \$ 5,657,670 | (\$65,345) | \$ 95,416 | \$ 5,496,909 |

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Changes in Capital Assets – Continued:

| | Balance, 01/01/16 | Additions | Deletions | Balance, 12/31/16 |
|---------------------------------------|----------------------|-------------------|------------------|----------------------|
| Land | \$ 868,576 | \$ -- | \$ -- | \$ 868,576 |
| Ambulance stations | 4,142,547 | -- | -- | 4,142,547 |
| Vehicles | 1,712,802 | 226,778 | 146,170 | 1,793,410 |
| Mobile equipment | 1,388,663 | 403,488 | -- | 1,792,151 |
| Furnishings | 601,225 | 21,390 | -- | 622,615 |
| Total Cost | 8,713,813 | 651,656 | 146,170 | 9,219,299 |
| Less Accumulated Depreciation: | | | | |
| Ambulance stations | 858,448 | 100,687 | -- | 959,134 |
| Vehicles | 726,213 | 164,486 | 97,446 | 793,253 |
| Mobile equipment | 1,036,602 | 174,858 | -- | 1,211,460 |
| Furnishings | 574,262 | 23,520 | -- | 597,782 |
| Total Accumulated Depreciation | 3,195,525 | 463,550 | 97,446 | 3,561,629 |
| Capital Assets, Net | \$ 5,518,288 | \$ 188,106 | \$ 48,724 | \$ 5,657,670 |

NOTE 4 – Long Term Liabilities:

| December 31 | 2017 | 2016 |
|---|---------------------|---------------------|
| \$3,500,000 certificates of participation – 2011, due in varying installments through December 2040, interest at 2.0 – 5.0% | \$ 3,070,000 | \$ 3,140,000 |
| Discount | (56,316) | (56,316) |
| | \$ 3,013,684 | \$ 3,083,684 |

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Long Term Liabilities – Continued:

The annual requirements to repay these certificates as of December 31, 2017, are as follows:

| Years Ending December 31 | Principal | Interest | Total |
|--------------------------|--------------------|--------------------|--------------------|
| 2018 | \$ 75,000 | \$153,500 | \$ 228,500 |
| 2019 | 75,000 | 149,750 | 224,750 |
| 2020 | 80,000 | 146,000 | 226,000 |
| 2021 | 85,000 | 142,000 | 227,000 |
| 2022 | 90,000 | 137,750 | 227,750 |
| 2023-2027 | 525,000 | 616,250 | 1,141,250 |
| 2028-2032 | 660,000 | 472,250 | 1,132,250 |
| 2033-2037 | 855,000 | 289,000 | 1,144,000 |
| 2037-2040 | 625,000 | 63,750 | 678,750 |
| | <u>\$3,070,000</u> | <u>\$2,170,250</u> | <u>\$5,240,250</u> |

Changes in long-term liabilities during the year were as follows:

| | Balance, 01/01/17 | Additions | Deletions | Balance, 12/31/17 | Due Within One Year |
|--------------|----------------------|--------------|------------------|----------------------|------------------------|
| COP's | \$ 3,140,000 | \$ -- | \$ 70,000 | \$ 3,070,000 | \$ 75,000 |
| Discount | (56,316) | -- | -- | (56,316) | -- |
| Total | \$ 3,083,684 | \$ -- | \$ 70,000 | \$ 3,013,684 | \$ 75,000 |

NOTE 5 – Deferred Compensation Plan:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administrated by Empower Retirement. The District has the authority to establish and amend the plan provisions. The plan, available to all full-time District employees, permits them to defer a portion of their salaries until future years. All amounts of compensation deferred; all property and rights purchased; and all income, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries. The District also contributes to the Section 457 deferred compensation plan. Employees contributed \$134,503 and \$128,222 for the years ended December 31, 2017 and 2016, respectively, and the District contributed \$96,263 and \$97,870 for the years ended December 31, 2017 and 2016, respectively.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Retirement Plan:

The District's retirement plan is administrated by Empower Retirement. The Plan is a defined contribution retirement plan, which provides retirement benefits for all full-time permanent employees. The District has the authority to establish and amend the plan provisions. The District contributed \$95,966 and \$92,979 for the years ended December 31, 2017 and 2016, respectively, equal to 4.0% of the permanent full-time employees' gross salaries, who also had a 3.8% required contribution of \$95,966 and \$92,979, respectively. Employees become 33.3% vested in the District's contribution each full year of employment and become fully vested after three full years of employment. Forfeitures have not been material to the financial statements.

NOTE 7 – Commitments and Contingencies:

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased through the Colorado Special Districts Property and Liability Pool. Claims have not exceeded coverage in the last three years.

The District contracts with the City of Loveland for dispatch services. On December 28, 2010, the District signed a one-year contract with automatic renewal for one-year periods up to and including January 1, 2017. The commitment under the contract totaled \$228,689 and \$223,111 in 2017 and 2016, respectively. The renewal fee for each year is based on 102.5% of the prior year's amount.

In 1992, the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, such as ambulance, and federal funds.

The District believes it is in compliance with the requirements of TABOR. In 1999 the voters of the District removed the spending limitations imposed by TABOR and allowed the District to retain and expend all revenue received.

THOMPSON VALLEY HEALTH SERVICES DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND NET POSITION-BUDGET TO ACTUAL - NON-GAAP BASIS

| Year Ended December 31, 2017 | Actual | Final Budget | Variance |
|---|---------------------|---------------------|-------------------|
| Operating Revenues: | | | |
| Gross patient service revenue | \$ 7,243,483 | \$ 7,450,000 | \$ (206,517) |
| Contractual adjustments | (3,397,449) | (3,600,500) | 203,051 |
| Other revenue | 50,070 | 40,500 | 9,570 |
| Total Operating Revenues | 3,896,104 | 3,890,000 | 6,104 |
| Operating Expenses: | | | |
| Salaries and wages | 4,991,048 | 5,385,194 | 394,146 |
| Ambulance service operations | 759,997 | 872,339 | 112,342 |
| Plant operations | 142,313 | 194,000 | 51,687 |
| Bad debt expense | 537,163 | 450,000 | (87,163) |
| Professional fees and insurance | 114,428 | 150,000 | 35,572 |
| Public relations | 49,319 | 33,500 | (15,819) |
| Administration | 19,409 | 26,750 | 7,341 |
| Program expense | - | 10,000 | 10,000 |
| County Treasurer's fee | 52,840 | 50,000 | (2,840) |
| Capital outlay | 421,108 | 500,000 | 78,892 |
| Total Operating Expenses | 7,087,625 | 7,671,783 | 584,158 |
| Operating Loss | (3,191,521) | (3,781,783) | 590,262 |
| Nonoperating Revenue (Expense): | | | |
| Property taxes | 2,901,491 | 3,030,000 | (128,509) |
| Grants | 164,102 | - | 164,102 |
| Contributions | 1 | - | 1 |
| Interest expense | (154,399) | (176,000) | 21,601 |
| Gain (loss) on disposal of assets | (34,268) | 15,000 | (49,268) |
| Interest income | 15,287 | 6,000 | 9,287 |
| Total Nonoperating Revenue | 2,892,214 | 2,875,000 | 17,214 |
| Net Loss, Non-GAAP Budget Basis | (299,307) | \$ (906,783) | \$ 607,476 |
| Reconciliation of Revenue Under Expenditures To Changes in Net Position: | | | |
| Capital outlay | (421,108) | | |
| Depreciation and amortization | 494,952 | | |
| Net Loss, GAAP Basis | \$ (373,151) | | |