

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
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YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Health District of Northern Larimer County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Health District of Northern Larimer County as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 10 and 30 - 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.



CliftonLarsonAllen LLP

Broomfield, Colorado
May 14, 2019

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

This section of the financial report is a required component of the annual financial statements for governmental organizations and is intended to help explain the financial activity for the fiscal year ended December 31, 2018, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- Assets for the Health Services District of Northern Larimer County (Health District) exceeded liabilities and deferred inflows of resources by \$13,693,897, a slight increase (\$4,977) over the prior year.
- As of the close of the fiscal year, the Health District's governmental fund balance totaled \$6,545,220, an increase of \$201,778 over the prior year. Approximately 93% of this amount (\$6,116,087) is available at the Health District's discretion (unassigned).
- Approximately \$10 million of the revenues received in 2018 were used to provide health services to residents in the northern two-thirds of Larimer County.

Overview of Financial Statements

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

Required Financial Statements

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

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

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Fund Financial Statements

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

Governmental Fund

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

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

Financial Analysis

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Health District, assets exceed liabilities and deferred inflows of resources by \$13,393,897 at the close of the most recent fiscal year.

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

Approximately 33% of the Health District's total assets reflect investment in capital assets (e.g. land, buildings, medical equipment, dental equipment, and computer hardware). The Health District uses these capital assets to provide health services to citizens of the northern two-thirds of Larimer County; consequently these assets are not available for future spending. Unrestricted net position may be used to meet the Health District's ongoing obligations to creditors.

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

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

Table A-1
Condensed Statement of Net Position

	2018	2017	Dollar Change	Percent Change
Current and Other Assets	\$ 15,062,604	\$ 14,822,294	\$ 240,310	1.62%
Capital Assets	7,502,240	7,653,621	(151,381)	-1.98%
Total Assets	<u>22,564,844</u>	<u>22,475,915</u>	<u>88,929</u>	<u>0.40%</u>
Current Liabilities	1,279,898	1,290,421	(10,523)	-0.82%
Noncurrent Liabilities	353,563	308,143	45,420	14.74%
Total Liabilities	<u>1,633,461</u>	<u>1,598,564</u>	<u>34,897</u>	<u>2.18%</u>
Deferred Inflows of Resources	<u>7,237,486</u>	<u>7,188,431</u>	<u>49,055</u>	<u>0.68%</u>
Total Net Position	<u>\$ 13,693,897</u>	<u>\$ 13,688,920</u>	<u>\$ 4,977</u>	<u>0.04%</u>

Net Position consists of the following components:

	2018	2017	Dollar Change	Percent Change
Investment in Capital Assets	\$ 7,502,240	\$ 7,653,621	\$ (151,381)	-1.98%
Restricted	335,721	300,186	35,535	11.84%
Unrestricted	5,855,936	5,735,113	120,823	2.11%

A portion of the Health District's net position of \$335,721 represents resources that are subject to external restrictions (TABOR reserve). The balance of unrestricted net position of \$5,855,936 may be used to meet the Health District's obligations to citizens and creditors.

The unassigned fund balance of \$6,116,087 presented in the governmental fund balance sheet on page 13 provides a succinct view of the Health District's liquid resources that are available to the Health District on a short-term basis. Board policy requires the Health District to maintain a minimum of \$1 million dollars in liquid reserves.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Table A-2
Condensed Statement of Activities

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
REVENUES				
Program Revenues				
Net Charges for Services	\$ 1,133,519	\$ 917,701	\$ 215,818	23.52%
Operating Grants and Contributions	947,040	931,661	15,379	1.65%
General Revenues				
Property and Specific				
Ownership Tax	7,827,327	7,050,725	776,602	11.01%
Lease Revenue	1,083,135	1,051,585	31,550	3.00%
Other Revenue	238,713	104,624	134,089	128.16%
Total Revenues	<u>11,229,734</u>	<u>10,056,296</u>	<u>1,173,438</u>	<u>11.67%</u>
EXPENSES				
Dental Services	3,578,301	3,316,051	262,250	7.91%
Grants, Partnerships, and Special Projects	1,596,562	1,426,442	170,120	11.93%
Connections: Mental Health/ Substance Use Issues Services	1,384,243	1,156,058	228,185	19.74%
MH/SA/Primary Care	1,020,785	949,137	71,648	7.55%
Healthcare Access	1,011,944	923,131	88,813	9.62%
General Government	824,708	726,246	98,462	13.56%
Health Promotion	758,743	704,007	54,736	7.77%
Community Impact	614,112	518,379	95,733	18.47%
Assessment, Research and Evaluation	202,436	189,786	12,650	6.67%
Resource Development	157,376	126,356	31,020	24.55%
HealthInfo Source	75,547	75,448	99	0.13%
Total Expenses	<u>11,224,757</u>	<u>10,111,041</u>	<u>1,113,716</u>	<u>11.01%</u>
CHANGE IN NET POSITION	4,977	(54,745)	59,722	109.09%
Net Position - Beginning of Year	<u>13,688,920</u>	<u>13,743,665</u>	<u>(54,745)</u>	<u>-0.40%</u>
NET POSITION - END OF YEAR	<u>\$ 13,693,897</u>	<u>\$ 13,688,920</u>	<u>\$ 4,977</u>	<u>0.04%</u>

The Health District's net position increased by \$4,977 during the current fiscal year.

Revenues

Property and specific ownership taxes accounts for 70% of the Health District's revenue. The amount of revenue from property taxes is driven by the assessed valuation of the taxable properties within the Health District boundaries and by the voter approved mill levy for the Health District. Lease revenue accounts for 10% of the Health District's revenue and the remaining 20% comes from net program fees for services provided, grants, contributions, and investment income.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Significant changes in revenue include the following:

Property tax revenue increased 11.6% (\$747,030) over 2017. Specific ownership tax revenue, derived from vehicle registrations, increased 4.7% (\$29,572).

Net charges for services increased 23.5% (\$215,818) when compared to 2017. The Family Dental Clinic experienced an increase in revenue of 23% (\$200,476). This increase is due to several factors including the increase in the number of services provided to patients eligible for Medicaid as well as patients eligible for the Colorado Dental Health Care Program for Low-Income Seniors.

The Mental Health Connections Program experienced a significant increase in revenue over the prior year due to the Children, Adolescent and Young Adult (CAYAC) program have completed its first full year of service.

In 2018, the Health District received \$1,083,133 from their lease with PVHS. This is a 3% (\$31,548) increase over 2017.

Expenses

The Health District provided approximately \$10 million to the community in health related services. The Family Dental Clinic, Health Promotions, Mental Health Connections, Integration of Mental Health and Substance Abuse Services into Primary Care (MH/SA/Primary Care) and Health Care Access provided \$8.6 million in direct health services to the community, and other programs provided another \$2.6 million in indirect health related services.

Significant changes in expenses include the following:

Health District program expenses realized a 10.6% (\$979,630) net increase when compared to 2017. The Dental Services program realized a 7.7% (\$248,737) increase in expenses over the prior year. The increase is attributable, in part, to additional expenses associated with the increase in the number of patients being served.

Connections: Mental Health/Substance Use Services realized a 19.8% (\$223,217) increase in expenses due in part to the continuation of moving some previously grant funded expenses associated with the CAYAC Program (Child, Adolescent, and Young Adult Connections) into operations. During 2018, the Mental Health Connections Program moved to a new location and the CAYAC program expanded their facilities resulting in increased lease and utility costs.

Health District projects funded through grants, community partnerships and Board approved reserve expenses increased 12% (\$170,529) over prior year as a result of multi-year projects funded by both grants and Health District matching funds and priority time-limited projects.

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Chart A
Revenue by Source General Fund

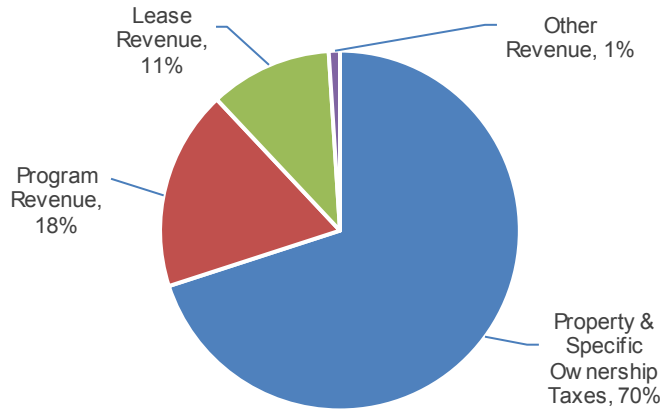
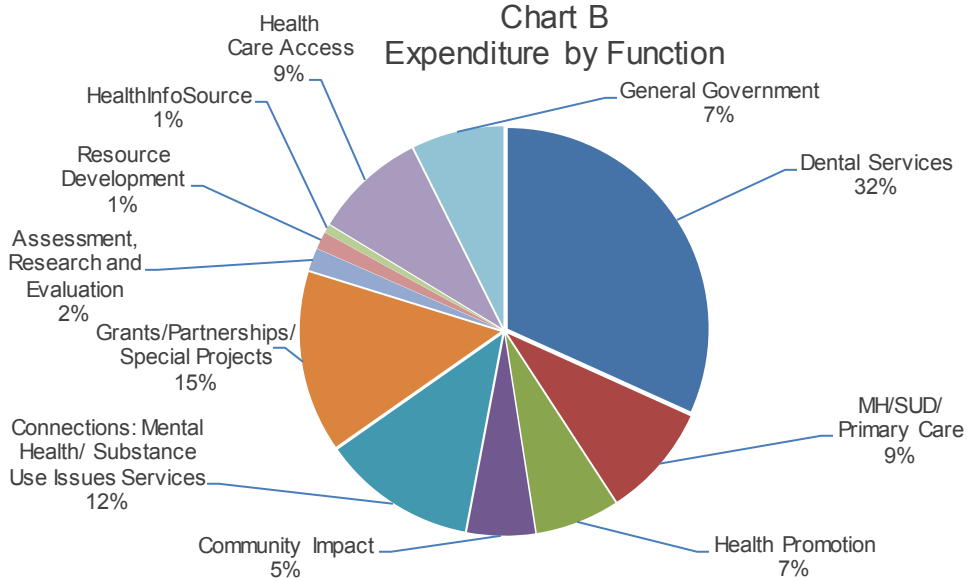


Chart B
Expenditure by Function



Budgetary Highlights

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

In 2018, the Health District's revenues were 5.7% (\$678,893) less than budgeted. The Health District's 2018 budget includes revenues for actual grant awards as well as potential grant awards. In order to appropriate adequate revenues and expenditures so that budgets will not have to be revised mid-year, every possible grant application is included in the budget, even though many will not be granted and some may not be submitted. A significant portion of the revenue shortfall can be attributed to conservative grant revenue that was budgeted but not received and the postponement of partnership projects. Revenue from investment earnings was higher than was budgeted and specific ownership taxes were higher than was budgeted.

The Health District direct expenditures were approximately 23% (\$3,224,512) less than budgeted. Fifty-five percent of this amount is attributable to expenditures associated with potential grants that were not received or Health District special projects that were postponed.

Expenditures were also less than anticipated as a result of:

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

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2018, the Health District's investment in capital assets totaled \$7.5 million (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, renovations, dental equipment, office equipment, and computer software.

During 2018, \$32,030 was expended on capital assets. These capital expenditures include office equipment, dental equipment, and computer software. See Note 5.

Table A-3
Capital Assets
Net of Accumulated Depreciation

	2018	2017
Land	\$ 4,592,595	\$ 4,592,595
Buildings and building improvements	2,727,211	2,837,797
Equipment	182,434	223,229
Net Capital Assets	\$ 7,502,240	\$ 7,653,621

Debt Administration

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Economic Factors and Next Year's Budget

Northern Colorado continues to benefit from a stable and growing economy. Colorado's population is projected to continue to grow during 2019 with the fastest growth area continuing to be the north Front Range at an annual average of 2.4%. (University of Colorado 2019 Business Economic Outlook). The unemployment rate for the Fort Collins area averaged 2.8% in 2018, increasing from 2.8% in January to 3.2% by December. (Bureau of Labor Statistics).

Property and specific ownership taxes are anticipated to account for approximately 68% of the Health District's operating revenues in 2019. The Health District expects a less than one percent increase in property tax revenue and a 12% increase in specific ownership tax revenue over the prior year.

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

The Health District approved a \$19 million budget for 2019 with total operations expenditures of \$14 million.

Request for Information

This financial report is designed to provide a general overview of the Health District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to: Lorraine Haywood, Finance Director Health District of Northern Larimer County 120 Bristlecone Drive Fort Collins, CO 80524 lhaywood@healthdistrict.org.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS

Cash and Investments	\$ 7,528,164
Receivables	
Patients, Net of Allowances of \$1,020	54,186
Grants Receivable and other	93,326
Property Taxes	7,237,486
Specific Ownership Taxes	56,030
Prepaid items	93,412
Capital Assets Not Being Depreciated	
Land	4,592,595
Capital Assets - Net of Accumulated Depreciation	
Buildings and Building Improvements	2,727,211
Equipment	182,434
Total Assets	22,564,844

LIABILITIES

Accounts Payable	231,831
Accrued Payroll and Payroll Taxes	315,396
Unearned Revenue	
Lease Revenue	364,584
Grants and Partnerships	351,004
Dental Services	17,083
Long-Term Liabilities	
Compensated Absences, Due Within One Year	341,350
Compensated Absences, Due in More than One Year	12,213
Total Liabilities	1,633,461
Deferred Inflows of Resources	
Property Taxes	7,237,486
Total Deferred Inflows of Resources	7,237,486
Net Position	
Investment in Capital Assets	7,502,240
Restricted for TABOR Reserve	335,721
Unrestricted	5,855,936
Total Net Position	\$ 13,693,897

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenue		
	Expenses	Net Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental Activities				
Dental Services	\$ 3,578,301	1,066,827	\$ -	\$ (2,511,474)
Grants, Partnerships and Special Projects	1,596,562	-	947,040	(649,522)
Connections: Mental Health/ Substance Use Issues Services	1,384,243	28,305	-	(1,355,938)
MH/SA/Primary Care	1,020,785	30,697	-	(990,088)
Healthcare Access	1,011,944	484	-	(1,011,460)
General Government	824,708	-	-	(824,708)
Health Promotion	758,743	7,206	-	(751,537)
Community Impact	614,112	-	-	(614,112)
Assessment, Research and Evaluation	202,436	-	-	(202,436)
Resource Development	157,376	-	-	(157,376)
HealthInfo Source	75,547	-	-	(75,547)
Total Governmental Activities	\$ 11,224,757	\$ 1,133,519	\$ 947,040	(9,144,198)
General Revenues				
Property and Specific Ownership Taxes				7,827,327
Lease Revenue				1,083,135
Investment Earnings				164,678
Other Income				74,035
Total General Revenues				9,149,175
CHANGE IN NET POSITION				4,977
Net Position - Beginning of Year				13,688,920
NET POSITION - END OF YEAR				\$ 13,693,897

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
BALANCE SHEET – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2018**

ASSETS	<u>General Fund</u>
Cash and Investments	7,528,164
Receivables	
Patients, Net of Allowances of \$1,020	54,186
Grants Receivable and other	93,326
Property Taxes	7,237,486
Specific Ownership Taxes	56,030
Prepaid items	93,412
Total Assets	<u><u>\$ 15,062,604</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Accounts Payable	\$ 231,831
Accrued Payroll and Payroll Taxes	315,396
Unearned Revenue	
Lease Revenue	364,584
Grants and Partnerships	351,004
Dental Services	17,083
Total Liabilities	<u>1,279,898</u>
Deferred Inflows of Resources	
Property Taxes	7,237,486
Total Deferred Inflows of Resources	<u>7,237,486</u>
Fund Balance	
Nonspendable Fund Balance - Prepaid items	93,412
Restricted Fund Balance - TABOR Reserve	335,721
Unassigned Fund Balance	6,116,087
Total Fund Balance	<u>6,545,220</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u><u>\$ 15,062,604</u></u>

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2018**

Total Fund Balance - Governmental Fund \$ 6,545,220

Amounts Reported for Governmental Activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the fund. 7,502,240

Compensated absences are not uses of financial resources in governmental
activities and are therefore not reported in the fund. However, compensated
absences are treated as a liability in the statement of net position.
This is the total of the liability as of December 31, 2018. (353,563)

Total Net Position \$ 13,693,897

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>
REVENUE	
Property and Specific Ownership Taxes	7,827,327
Net Charges for Services	1,133,519
Lease Income	1,083,135
Grants and Partnerships	947,040
Investment Earnings	164,678
Miscellaneous Income	35,004
Total Revenue	11,190,703
EXPENDITURES	
General Government	811,486
Program Operations	
Dental Services	3,491,207
MH/SA/Primary Care	995,836
Health Promotion	739,561
Community Impact	599,305
Connections: Mental Health/Substance Use Issues Services	1,351,460
Grants, Partnerships, and Special Projects	1,596,562
Assessment, Research and Evaluation	198,061
HealthInfo Source	73,455
Resource Development	153,425
Health Care Access	985,568
	10,995,926
Capital Outlay	32,030
Total Expenditures	11,027,956
OTHER FINANCING SOURCES (USES)	
Insurance proceeds	39,031
Total Other Financing Sources (Uses)	39,031
NET CHANGE IN FUND BALANCE	201,778
Fund Balance - Beginning of Year	6,343,442
FUND BALANCE - END OF YEAR	\$ 6,545,220

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balance - Governmental Fund \$ 201,778

Amounts Reported for Governmental Activities in the
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. This is the amount by which
depreciation expense and the net book value of disposed assets exceeded capital
outlay in the current period. (151,381)

Compensated absences are not uses of financial resources in
governmental activities and are therefore not reported in the fund. However,
in the statement of activities, these costs are reported as expenses.
This is the amount of these expenses in the current period (45,420)

Change in Net Position \$ 4,977

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 REPORTING ENTITY

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

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

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

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

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the Health District conform to accounting principles generally accepted in the United States of America. The following is a summary of the Health District's significant accounting policies.

Basic Financial Statements, Measurement Focus, and Basis of Accounting

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements, Measurement Focus, and Basis of Accounting (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded with a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program revenues include, 1) net charges to patients or applicants who receive services provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Cash and Investments

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

Patient Receivable and Credit Policy

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Patient Receivable and Credit Policy (Continued)

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

The Health District's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from December 31, 2017 to December 31, 2018. The Health District does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors.

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

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

Property Tax Receivable

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

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

Other Receivables

Other receivables consist primarily of grant receivables from governmental entities and nonprofit organizations. Other receivables are reported at gross as management has determined no significant uncollectible amounts.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

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

Capital Assets

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

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

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

Compensated Absences

The Health District's employees earn paid time off days at varying rates depending on years of service. Employees may accumulate paid-time off up to a specific maximum. Employees begin accruing paid time off upon the first day of employment with the total number of days accrued being determined by eligible years of service. Paid time off may be used for vacation, sick leave, dependent sick leave, or other personal needs. Compensated absences are calculated at the employee's base pay rate at the time the paid time off or compensatory time is used. It does not include overtime or other special forms of compensation. Compensated absences does include compensatory time, which is earned by employees in lieu of overtime payments for nonexempt employees. Compensatory time is awarded to nonexempt employees at a rate of one and one-half hours for each hour worked over forty-hours in a work week. Employees are paid for accumulated unused paid time off and accumulated unused compensatory time upon termination.

Deferred Inflows of Resources

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (Continued)

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

Net Position

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

Fund Balance

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

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

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

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

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

Unassigned fund balance indicates amounts in the general fund that are not classified as nonspendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. Board policy requires the Health District to maintain a minimum of \$1 million in liquid reserves.

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Net Medical/Dental Service Revenue

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

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

For the year ended December 31, 2018, approximately 71%, 25%, and 4% of net dental service revenue from third party payors was received from Medicaid, other offices of the State of Colorado and other third party providers, respectively.

Grants

The Health District receives grants from governmental entities, corporations, and nonprofit organizations. Revenues from grants are recognized when all eligibility requirements, including time requirements are met. Grants are restricted for specific program purposes. Grants received prior to eligibility and time requirements being met are reflected as unearned revenue in the financial statements.

Insurance Pool

In 1996, the Health District transferred its property and liability insurance to Colorado Special Districts Insurance Pool. As a requirement of this Pool, the Health District placed into an Insurance Surplus Contribution Fund a specified amount (\$5,132) of cash. This surplus is subject to future insurance needs or a refund to the Health District if there are excess funds in the future. For the year ended December 31, 2018, the Colorado Special District Property & Liability Pool (CSDPLP) was made up of 1,432 members who are local governments. It is an organization created by an inter-government agreement in 1988 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. A seven member board elected by and from its members governs CSDPLP. The governing board is autonomous as to budgeting and fiscal matters.

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

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

NOTE 3 CASH AND INVESTMENTS

Cash

Colorado statutes govern the Health District's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2018, the Health District's carrying amount of deposits was \$247,679 and the bank balance was \$313,689. Cash balances may be transferred overnight in order to maximize interest income. The Health District also had petty cash balances amounting to \$1,425 at December 31, 2018.

Investments

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

- Non-negotiable certificates of deposit investments valued at amortized cost with average maturities of approximately eleven months. These certificates of deposits had a value of \$1,352,729 at December 31, 2018.
- The Health District participates in a local government investment pool, ColoTrust, an SEC-registered investment pool. The investment pool operates similarly to a money market fund; each share is equal in value to \$1.00. The investment in ColoTrust is measured at Net Asset Value. ColoTrust has a daily redemption frequency period and a one-day redemption notice period. At December 31, 2018, the Health District had \$5,926,331 invested in ColoTrust.

Interest Rate Risk

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

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

Credit Risk

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

Custodial Credit Risk

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

NOTE 4 LEASE OF ASSETS

In 1994, the Health District entered into a lease arrangement whereby it leased certain assets to PVHCI.

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

At December 31, 2018, future non-cancelable minimum lease payments due under the lease are as follows:

2019	\$ 1,115,627
2020	1,149,096
2021	1,183,569
2022	1,219,076
2023	1,255,648
2024-2028	6,866,398
2029-2033	7,960,037
2034-2038	9,227,864
2039-2043	10,697,624
2044-2048	12,401,478
2049-2053	14,376,712
2054-2058	16,666,549
2059-2062	12,548,023
	<u>\$ 96,667,701</u>

The Health District recognized approximately \$1,083,000 of rental income in 2018 attributable to this agreement.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 4,592,595	\$ -	\$ -	\$ 4,592,595
Total Capital Assets, Not Being Depreciated	4,592,595	-	-	4,592,595
Capital Assets Being Depreciated				
Building	4,404,448	-	-	4,404,448
Building Improvements	16,667	-	-	16,667
Equipment	1,217,004	32,030	(75,009)	1,174,025
Total Capital Assets Being Depreciated	<u>5,638,119</u>	<u>32,030</u>	<u>(75,009)</u>	<u>5,595,140</u>
Less Accumulated Depreciation				
Building	(1,566,651)	(110,586)	-	(1,677,237)
Building Improvements	(16,667)	-	-	(16,667)
Equipment	(993,775)	(70,948)	73,132	(991,591)
Total Accumulated Depreciation	<u>(2,577,093)</u>	<u>(181,534)</u>	<u>73,132</u>	<u>(2,685,495)</u>
Total Capital Assets, Being Depreciated, Net Governmental Activities	<u>3,061,026</u>	<u>(149,504)</u>	<u>(1,877)</u>	<u>2,909,645</u>
Capital Assets, Net	<u>\$ 7,653,621</u>	<u>\$ (149,504)</u>	<u>\$ (1,877)</u>	<u>\$ 7,502,240</u>

Depreciation expense for the year ended December 31, 2018, was charged to functional programs as follows:

Dental Services	\$ 70,719
MH/SA/Primary Care	17,804
Connections	26,914
Health Care Access	21,077
Health Promotion	14,976
Community Impact	11,991
General Government	9,778
Assessment, Research, and Evaluation	3,218
Resource Development	3,222
HealthInfo Source	1,835
Total Depreciation Expense - Governmental Activities	<u>\$ 181,534</u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 LEASES

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

Future minimum lease payments for the leases are as follows:

Year Ending December 31,	Operating Lease
2019	\$ 89,809
Total Minimum Lease Payment	\$ 89,809

Total lease expense for the year ended December 31, 2018 was \$116,018.

NOTE 7 LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2018 are as follows:

	January 1, Balance	Additions	Reductions	December 31, Balance	Due Within One Year
Compensated Absences	\$ 308,143	\$ 557,792	\$ 512,372	\$ 353,563	\$ 341,350

NOTE 8 EMPLOYEE RETIREMENT PLANS

Money Purchase Plan

The Health District offers its employees a defined contribution money purchase plan administered by Nationwide Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The plan requires both employer and employees to contribute amounts of 5% and 3%, respectively, of the base salary each pay period. Contributions made by the Health District are not taxable to the employee until they are withdrawn. Employee contributions are made with pre-tax dollars, and the earnings on the Health District and employee contributions are not taxed until withdrawn. Employees are fully vested in the plan upon completion of two years of service. The Health District contributions to the plan were \$310,590 for the year ended December 31, 2018. Covered payroll was \$6,628,248 for the year ended December 31, 2018.

Deferred Compensation Plan

The Health District established a deferred compensation plan in accordance with Internal Revenue Code Section 457 in 1994. All fees are paid by participants, and there is no employer contribution. The funds are invested and administered by an independent third party. The Health District had 40 employees participate during 2018.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 COMMITMENTS AND CONTINGENCIES

Hospital Lease Agreement

In 1994, the Health District entered into a lease agreement that leased certain assets owned by the Health District to PVHCI (see Note 4). In 2012, PVHCI/PVHS entered into a Joint Operating Agreement with the University of Colorado Hospital Authority, creating a combined health system UHealth, at which time the lease agreement between the Health District and PVHCI/PVHS was amended. The amended lease agreement expires April 30, 2062.

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

Revenue Limitations and Restrictions of Fund Balance

The State of Colorado enacted a constitutional amendment (the TABOR amendment) effective December 31, 1992, to limit increases in government revenues. The limitation generally restricts growth in revenue of a governmental entity to a base amount plus increases for growth and inflation. In addition, the amendment requires government entities to create an emergency "reserve" of three percent of annual spending excluding bonded debt service. In November 2000, voter approval was given to the Health District to remove the restriction on growth in revenue. At December 31, 2018, the Health District has complied with the requirements to include emergency reserves in its budgetary-basis fund balance.

NOTE 10 RISK MANAGEMENT

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 RELATED PARTY TRANSACTIONS

The Health District is a member of the Colorado Employer Benefit Trust (CEBT), which provides the Health District with health, life, and vision insurance coverage. The Finance Director of the Health District serves as a member on the Board of Trustees of CEBT. The Health District paid \$872,899 to CEBT during the year ended December 31, 2018. The Finance Director also serves on the Board of Directors for the Colorado Special Districts Property and Liability Pool, which provides the Health District with insurance services. The Health District paid approximately \$59,246 to the Colorado Special Districts Property and Liability Pool during the year ended December 31, 2018.

NOTE 12 TAX ABATEMENTS

The Health District does not directly abate taxes. However, for the year ended December 31, 2018 the Health District's property tax revenues were reduced by \$356,116 under various tax increment financing agreements entered into by the City of Fort Collins and Town of Timnath.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variances Over (Under)
REVENUE				
Property and Specific Ownership Taxes	\$ 7,768,431	\$ 7,768,431	\$ 7,827,327	\$ 58,896
Rental Income	1,083,133	1,083,133	1,083,135	2
Net Charges for Services	1,177,960	1,177,960	1,133,519	(44,441)
Investment Earnings	80,000	80,000	164,678	84,678
Grants and Partnerships	1,739,817	1,739,817	947,040	(792,777)
Miscellaneous Income	20,255	20,255	35,004	14,749
Total Revenue	<u>11,869,596</u>	<u>11,869,596</u>	<u>11,190,703</u>	<u>(678,893)</u>
EXPENDITURES				
Current				
General Government	883,396	890,391	811,486	(78,905)
Program Operations				
Dental Services	3,789,066	3,847,166	3,491,207	(355,959)
MH/SA/Primary Care	1,070,490	1,083,230	995,836	(87,394)
Health Promotion	815,718	826,433	739,561	(86,872)
Community Impact	626,436	635,016	599,305	(35,711)
Connections: Mental Health				
Substance Use Issues Services	1,545,647	1,564,904	1,351,460	(213,444)
Grants, Partnerships and				
Special Projects	3,807,038	3,813,838	1,596,562	(2,217,276)
Assessment, Research and Evaluation	203,108	205,411	198,061	(7,350)
Resource Development	167,538	169,844	153,425	(16,419)
HealthInfo Source	81,537	82,850	73,455	(9,395)
Health Care Access	1,086,274	1,101,355	985,568	(115,787)
Total Current Expenditures	<u>14,076,248</u>	<u>14,220,438</u>	<u>10,995,926</u>	<u>(3,224,512)</u>
Capital Outlay	3,226,887	3,082,697	32,030	(3,050,667)
Contingency	569,534	569,534	-	(569,534)
Total Expenditures	<u>17,872,669</u>	<u>17,872,669</u>	<u>11,027,956</u>	<u>(6,844,713)</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	39,031	39,031
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>39,031</u>	<u>39,031</u>
NET CHANGE IN FUND BALANCE	(6,003,073)	(6,003,073)	201,778	6,204,851
Fund Balance - Beginning of Year	<u>6,003,073</u>	<u>6,003,073</u>	<u>6,343,442</u>	<u>340,369</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,545,220</u>	<u>\$ 6,545,220</u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

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

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