

Eagle County Health Service District

Financial Statements
with Independent Auditors' Report

December 31, 2019



Eagle County Health Service District

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December 31, 2019

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**HINKLE &
COMPANY**

Strategic **PC**
Business Advisors

Independent Auditors' Report

Board of Directors
Eagle County Health Service District
Edwards, Colorado

We have audited the accompanying financial statements of the Eagle County Health Service District as of and for the years ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Eagle County Health Service District'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 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 of America. Those standards require that we plan and perform the audits 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eagle County Health Service District as of December 31, 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi be presented to supplement the basic financial Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Eagle County Health Service District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
September 29, 2020



EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to inform the reader on the District's financial issues and activities. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements.

Financial Highlights:

- Cash position increased from \$5,279,886 on December 31, 2018 to \$6,612,504 on December 31, 2019. In the same period, investments also increased from \$3,255,317 to \$3,856,166.
- Net A/R increased from \$810,818 on December 31, 2018 to \$983,602, due to increased patient net revenues. Allowances increased from \$957,043 on December 31, 2018 to \$983,574 on December 31, 2019 based on increased revenues and receivables.
- Net 911 calls increased between 2018 and 2019. Transfer volume increased 16% from 456 in 2018 to 529 in 2019, billable transports increased 5.4% from 3,322 in 2018 to 3,503 in 2019. And the District experienced an increase in Community Paramedicine responses between years from 265 in 2018 to 387 in 2019.
- Gross patient revenue increased from \$7,120,791 in 2018 to \$7,914,649 in 2019. Net patient revenue increased by \$868,573 or 25%. The increase is related to the above-mentioned increase in transport volume.
- Mill levy revenue collections only marginally increased from \$7,911,186 in 2018 to 7,914,649.
- The District continues to manage its operations in the most fiscally responsible way, while maximizing appropriate revenue streams. ECPS has continued to post healthy surpluses in the last three years in an effort to contribute to its Fund Balance for future capital needs. The District's net position improved from a net loss of (\$664,954) in 2016 to a net surplus of \$2,202,525 in 2017, \$1,137,635 in 2018, and \$1,463,192 in 2019.

Overview of Financial Statements

The financial statements of the District are presented as a special purpose government engaged only in business-type activities – providing ambulance, medical transportation, and emergency medical service.

The *Statement of Net Position* presents information on all the District's assets, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information that reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the District's cash flows from operating, capital and related financing, and investing activities.

EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

These financial statements distinguish functions of the District that will be principally supported by service charges. The functions of the District include effective and economical operation of ambulance, medical transportation, and emergency medical services within the jurisdictional boundaries of the District. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

SUMMARY OF NET POSITION

	2019	2018
Assets		
Cash	\$ 6,612,504	\$ 5,279,886
Investments	3,856,166	3,255,317
Accounts Receivable, <i>Net of Allowance for Doubtful Accounts</i>	983,602	810,818
Property Tax Receivable	8,776,024	8,006,895
Other Current Assets	30,901	191,463
Other Non-current Assets	874,670	1,099,275
Capital Assets, Net	12,156,798	12,312,348
Total Assets	<u>33,290,665</u>	<u>30,956,002</u>
Liabilities & Deferred Inflows		
Current Liabilities	1,283,469	1,181,130
Long-term Liabilities	-	-
Deferred Inflows	8,775,736	8,006,604
Total Liabilities and Deferred Inflows	<u>10,059,205</u>	<u>9,187,734</u>
Net Position		
Net Investment in Capital Assets	12,156,798	12,312,348
Restricted for Emergencies	340,000	361,955
Unrestricted	10,734,662	9,093,965
Total Net Position	<u>\$ 23,231,460</u>	<u>\$ 21,768,268</u>

In 2019, assets exceeded liabilities and deferred inflows by \$23,231,460. Property taxes receivable and deferred inflows relate to mill levy amounts to be collected and recognized as revenue in 2020. Changes in District assets, liabilities, and deferred inflows were as follows:

Total assets of the District increased by \$2,334,663 from 2018 to 2019:

- Cash increased by \$1,332,618, and the District invested an additional \$600,849 in bonds and treasuries, resulting in an overall net increase in cash and investments balance of \$1,933,467. Cash collections from property taxes increased \$42,524 over 2018, and interest income payments increased by \$41,669 in the same period, due to the District's investment strategy implemented in 2018.
- Patient receivables increased by \$172,784 due to the increase in patient revenues.
- Capital assets of the District decreased due to asset retirements and depreciation exceeding the rate of the purchase of new capital equipment in recent years.
- Current liabilities increased due to an increase in year-end salary and benefit accruals from 2018 to 2019.

EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- Deferred inflows increased related to the increase in assessed mill levy property taxes.

One of the largest portions of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted Net Position represents the second largest subset of the District's Net Position. Prior to 2017, the District experienced a steady decline in Unrestricted Net Position due to expenditures exceeding total revenue for the last several years. The District is pleased to present a healthy surplus in 2019, which bolsters the Unrestricted Net Position, setting us up well to meet future capital, technological and staffing investment needs.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ending December 31,	2019	2018
REVENUE		
Operating Revenue		
Ambulance Service Revenue, Net	\$ 4,325,493	\$ 3,456,920
Nonoperating Revenue		
Property taxes	7,914,649	7,911,186
Specific Ownership Taxes	451,477	412,713
Net Investment Income	222,415	202,738
Other	336,144	316,395
Total Non-Operating Revenue	<u>8,924,685</u>	<u>8,843,032</u>
Total Revenue	<u>\$ 13,250,178</u>	<u>\$ 12,299,952</u>
EXPENSES		
Operating Expenses		
Ambulance Services	\$ 11,550,111	\$ 10,923,646
Non-Operating Expenses		
County Treasurer's Collection Fees	236,875	238,671
Interest Expenses	-	-
Total Non-Operating Expenses	<u>236,875</u>	<u>238,671</u>
Total Expenses	<u>11,786,986</u>	<u>11,162,317</u>
CHANGE IN NET POSITION	<u>1,463,192</u>	<u>1,137,635</u>
NET POSITION - BEGINNING OF YEAR	<u>21,768,268</u>	<u>20,630,633</u>
NET POSITION - END OF YEAR	<u>\$ 23,231,460</u>	<u>\$ 21,768,268</u>

Total revenue for the District increased by \$950,226 over 2018, coming primarily from increases in patient transports, special ownership tax revenues, and small increases in investment and grant-related income.

Total expenses increased by \$624,669 primarily due to investments in staff development and training, salaries and benefits, and medical supplies. In the several years prior to 2019, the District greatly reduced spending in all of these areas in severe cost savings measures. Further, savings in expenditures were realized across the board in all other line items, such as repairs and maintenance, utilities, legal fees, and miscellaneous expenditures. While we experienced a large increase in expenses, the increase was greatly offset by the substantial increase in revenues, allowing for the positive change in net position at year-end.

EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

Budgetary Highlights

The District prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of debt issuance, sale of assets and debt repayments, as well as capital outlay in addition to operations and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.” This budgetary accounting method is required by State statute.

- Total actual revenues fell below the amended budget by \$218,815, or 1.6%.
- Total actual expenditures were substantially under budget by \$344,016 – the most substantial savings were in salaries and benefits, professional development, and capital outlay.

Capital Assets

Investment in capital assets includes land, buildings and improvements and transportation and other equipment. Analysis of changes in capital assets was as follows:

	CAPITAL ASSETS (net of accumulated depreciation)	
As of December 31,	2018	2018
Land	\$ 1,042,148	\$ 1,042,148
Construction in progress	73,107	17,076
Transportation and other equipment	1,436,664	1,339,582
Buildings and improvements	<u>9,604,879</u>	<u>9,913,542</u>
	<u>\$ 12,156,798</u>	<u>\$12,312,348</u>

In prior years, management purposefully put off the purchase of additional capital in order to preserve cash. In 2019, the District was excited to move forward with the purchase of two new ambulances to add to its aging fleet, which will greatly help support the increased patient call volume. However, we also retired one as well as a staff vehicle. We were also able to purchase two new staff vehicles, cardiac monitors, and power cots. As often as possible, the District searches out and utilizes grant funding for Capital purchases. In 2019, grant revenues used toward capital outlays amounted to over \$136,000.

Long-term obligations

The District has no long-term obligations.

Economic Factors and Next Year’s Budgets and Rates

- Overall economic conditions are expected to be stable in 2020. Continued sharp increases in real estate prices from 2015-2019 continues to exert upward pressure on the cost of labor. But the organization experiences low turnover, in particular, relative to its industry. This mitigates some of the impact.

EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- The nearest major metropolitan center, Denver, has experienced substantial growth, which has helped drive a relatively strong local economy. This has a positive impact on the economic conditions in the Eagle County area.
- Risks to the entity include events such as warmer than expected weather or low snowfall in the winter or forest fires or floods in the summer, which could adversely affect the area's largest industry, tourism. The area also has a large percentage of second homeowners and tourism from outside the nearby metro center and outside the country. Global or national economic and health factors could also have an impact on the organization's business.
- The District decided to leave transport base rates stable in 2019. Prior to then, rates were increased each year since 2017.
- A mill levy increase of .75 was approved in May of 2016. This, along with increases in property value, is driving the expected mill levy revenue up from \$7,914,649 in 2019 to estimated mill levy revenues of \$8,775,736 in 2020, an increase of \$861,087.
- COVID update: While 2020 began with another steady increase in emergency call responses, typical operations came to an immediate halt when COVID-19 hit our community. Eagle County, CO was an epicenter of transmission in Colorado, and ECPS pivoted our operations in order to serve the community and provide needed and quality healthcare. Due to the drastic decline in tourism in the area, a major source of transport volume for the District, billable patient transport revenue is down by over 20% as of the publication of these audited financial results. COVID has had other unanticipated impacts to the agency as well, including staffing challenges due to isolation/quarantine requirements, supply chain management and increased supply costs, ever-changing protocols for patient care during a pandemic, and our emergency workers dealing with chronic fatigue and stress.
- In response to COVID, Management is actively planning within the "new normal" that is our post-pandemic world. We are continually exploring a myriad of options to be community leaders in providing healthcare and emergency response to our community in a fiscally prudent manner. ECPS is planning for further impacts in The District, as are all employers around the country. We are looking ahead to 2020 and beyond and preparing for further increases in costs, and options to diversify our revenue streams as our operating environment experiences continued volatility. While ECPS did budget added expenditures in clinical training and professional development, as well as needed repairs and maintenance and investment in capital outlay for 2020, the pivot to our operations will mean that our actual expenditures will be far below those estimates. Our people, facilities, and equipment are cornerstones of serving the public and it is critical that we maintain these three areas at their capacities.
- Overall, the district is budgeting a net operating surplus of approximately \$1.25 million in 2020. This includes an interfund transfer to a new Capital Fund established in 2020 to strategically plan and prepare for the District's long term capital needs. With the knowledge we have now regarding The increase in net position is intended to prepare for future uncertainty in mill levy revenues, grow the organization's cash reserves, and allow for investment in future capital purchases to address delayed replacements of ambulances, equipment, and facilities.

EAGLE COUNTY HEALTH SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be address to Amy Waldes, Chief Financial Officer, PO Box 990, Edwards, Colorado 81632.

Basic Financial Statements

Eagle County Health Service District

Statement of Net Position

December 31, 2019

Assets

Current Assets

Cash	\$ 6,612,504
Investments	3,856,166
Accounts Receivable, <i>Net of Allowance for Doubtful Accounts</i>	983,602
Grants Receivable	19,970
Property Tax Receivable	8,776,024
Prepaid Expenses	<u>10,931</u>
Total Current Assets	20,259,197

Noncurrent Assets

Employee Notes Receivable	874,670
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>12,156,798</u>
Total Assets	<u>33,290,665</u>

Liabilities

Current Liabilities

Accounts Payable	208,719
Accrued Salaries and Compensated Absences	<u>1,074,750</u>
Total Liabilities	<u>1,283,469</u>

Deferred Inflows of Resources

Property Taxes	<u>8,775,736</u>
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Net Position

Net Investment in Capital Assets	12,156,798
Restricted for Emergencies	340,000
Unrestricted	<u>10,734,662</u>
Total Net Position	<u>\$ 23,231,460</u>

Eagle County Health Service District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

Operating Revenues

Charges for Services, net	\$ <u>4,325,493</u>
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Operating Expenses

Salaries and Employee Benefits	8,755,135
Supplies and Materials	496,155
Depreciation	874,507
Collections Fees	47,836
Repairs and Maintenance	202,313
Utilities	139,781
Professional Development	143,415
Directors' Fees	4,156
Audit and Accounting Fees	8,950
Insurance	71,112
Legal	27,341
Contracted Services	289,011
Communications	154,522
Community Service	7,974
Website and Internet Fees	86,652
Dues, Fees and Subscriptions	157,959
Banking and Finance Fees	932
Travel Expenses	58,775
Election Fees	20,330
Miscellaneous	3,255
Total Operating Expenses	<u>11,550,111</u>

Net Operating Income (Loss)	(7,224,618)
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Non-Operating Revenues (Expense)

Property Taxes	7,914,649
Specific Ownership Taxes	451,477
Other Income	94,531
Net Investment Income	222,415
Grant Revenue	241,613
Country Treasurer's Collection Fees	(236,875)
	<u>8,687,810</u>

Change in Net Position	1,463,192
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Net Position, Beginning of year	<u>21,768,268</u>
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Net Position, End of year	<u><u>\$ 23,231,460</u></u>
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Eagle County Health Service District
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows From Operating Activities

Cash Received from Charges for Services	\$ 4,152,709
Cash Payments to Employees	78,397
Cash Payments to Suppliers	<u>(10,471,130)</u>
Net Cash Provided by (used in) Operating Activities	<u>(6,240,024)</u>

Cash Flows From Noncapital Financing Activities

Cash Received from Property Tax Collections	8,366,129
Treasurer Fees Paid	(236,875)
Grants Received	221,643
Other Receipts	<u>94,531</u>
Net Cash Provided by (used in) Noncapital Financing Activities	<u>8,445,428</u>

Cash Flows from Capital and Related Financing Activities

Purchase of Equipment	<u>(718,957)</u>
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(718,957)</u>

Cash Flows From Investing Activities

Interest Received	222,415
Purchase of Investments	(600,849)
Proceeds from Payment on Loans Receivable	<u>224,605</u>
Net Cash Provided by (used in) Investing Activities	<u>(153,829)</u>

Net Change in Cash 1,332,618

Cash, Beginning of year 5,279,886

Cash, End of year \$ 6,612,504

**Reconciliation of Net Operating Income (Loss) to
Net Cash Provided by (used in) Operating Activities**

Net Operating Income (Loss)	\$ (7,224,618)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities:	
Depreciation	874,507
Changes in Assets and Liabilities	
Accounts Receivable	(172,784)
Grants Receivable	180,532
Inventory	23,942
Accounts Payable	<u>78,397</u>
Accrued Salaries and Benefits	
Net Cash Provided by (used in) Operating Activities	<u><u>\$ (6,240,024)</u></u>

Eagle County Health Service District
Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

Eagle County Health Service District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Eagle County, Colorado. According to Colorado Revised Statute (C.R.S.), the District may establish, maintain or operate, directly or indirectly through lease to or from other parties or other arrangement, public hospitals, convalescent center, nursing care facilities, intermediate care facilities, emergency facilities, community clinics, or other facilities licensed or certified pursuant to section 25-I.5-103(l)(a), C.R.S., providing health and personal care services and may organize, own, operate, control, direct, manage, contract for, or furnish ambulance service. Currently, the District is providing ambulance and personal care services.

The District follows accounting policies that conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The reporting entity of the District includes those activities and functions over which the District is considered to be financially accountable. The District's financial statements include the accounts and operations of all of the District's functions. The District is the primary government and does not include any component units using the criteria set forth in generally accepted accounting principles.

The District is a special-purpose government engaged only in a business-type activity. For this type of government, only enterprise fund financial statements are presented.

Basis of Presentation - Fund Accounting

The accounts of the District are organized and operated on a fund basis. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows, net position, revenues, and expenses. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to those applicable to businesses in the private sector.

GASB Statement No. 34, as amended, sets forth minimum criteria for the determination of major funds to be presented in the financial statements. Since the operations of the District are accounted for on a fund basis in a single enterprise fund, it is the only fund presented.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Enterprise funds may be used to account for operation (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

Basis of accounting refers to when revenues or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary (enterprise) funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred inflows associated with the operation of a fund are included on the statements of net position. Net position is categorized as net investment in capital assets; restricted for emergencies; and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The District uses the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

Operating revenues and expenses for enterprise funds are those that result from providing services and producing and delivering goods and/or services within the scope of the enterprise operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues from grants are recognized in the year in which all eligibility requirements have been satisfied.

Budgets and Budgetary Accounting

The annual budget is prepared and approved by the Board of Directors in accordance with Colorado Revised Statutes. Each fall the District's Board of Directors holds public hearings to approve the budget and appropriate the funds for the upcoming year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The Board can only modify the appropriation after notification and publication requirement have been met. There was one supplemental appropriation adopted for the 2019 year.

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

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Capital Assets

Capital assets (property, plant, and equipment) are recorded at cost. The District's capitalization level is \$5,000 for individual capital assets. Maintenance repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on the disposition of property and equipment are included in income.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

	Estimated Lives
Buildings and improvements	5 to 40 years
Transportation and other equipment	3 to 10 years

Compensated Absences

The District allows employees to accumulate unused vacation benefits up to certain maximum hours based on the number of years the employee has worked for the District. Accumulated unpaid leave, if material, is accrued when incurred.

Risk Management

The District purchases commercial insurance to manage its risk of loss for all manners of risk (i.e., liability, malpractice, workers compensation, etc.). There have been no reductions in insurance coverage or settlements exceeding insurance coverage for the past four years.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and deferred inflows, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered net of allowance for doubtful accounts and contractual adjustments. The District provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection, and individual analysis of accounts.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position of the District is classified in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by any outstanding borrowing used to finance the purchase or construction of those assets. Restricted net position is non-capital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The District currently has restricted net position for emergencies. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The District has agreements with Medicaid and Medicare that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts. The contractual write-offs for Medicaid and Medicare were \$1,990,956 for 2019. The District also receives requests for public service assistance consideration. The Board reviews these requests, and upon approval, these accounts are written off. The assistance given was \$54,946 in 2019.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Subsequent Events

The District has evaluated subsequent events through September 29, 2020, the date the financial statements were available to be issued.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 2: Deposits and Investments

Cash Deposits

The District's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The District is in compliance with PDPA requirements. The District's bank deposits at December 31, 2019 were \$529,651 collateralized with securities held by the financial institution's agents but not in their name.

At December 31, 2019 the District's cash deposits and investments had a carrying value as follows:

Cash Deposits	\$ 770,766
Investments	<u>9,697,904</u>
Total	<u>\$ 10,468,670</u>

Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

At December 31, 2019, the District had invested \$5,841,738 in the Colorado Government Liquid Asset Trust (COLOTRUST), which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments in the trust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. Designated custodial banks provide safekeeping and depository services to the trust in connection with the direct investment and withdrawal functions of the trust. Substantially all securities owned are held by the Federal Reserve Bank in the accounts maintained for the custodial banks. The custodians' internal records identify the investments owned by the trust. COLOTRUST funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair value.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 2: Deposits and Investments (Continued)

Investments (Continued)

The composition, including levels under the GASB 72 fair value hierarchy, where applicable, of all cash and investments held by the District at December 31, 2019 is as follows:

Cash in Bank Accounts	\$ 770,766
Investment Pools	
COLOTRUST	5,841,738
U.S. Federal Agency Securities	
Federal National Mortgage Association (FNMA) (Level 1)	1,114,817
Federal Farm Credit Bank (FFCB) (Level 1)	1,469,015
Resolution Funding Corporation (RFC) (Level 1)	749,051
Federal Home Loan Bank (FHLB) (Level 1)	523,283
	<u>\$ 10,468,670</u>

Investments in U.S. government agency securities at December 31, 2019, were as follows:

Security	Face Amount	CUSIP	Carrying Value
FNMA note due 3/6/2020	500,000	3135G0UU5	\$ 494,540
FNMA note due 5/6/2021	325,000	3135G0K69	322,182
FNMA note due 11/29/2022	300,000	3136G05K3	298,095
FFCB note due 3/15/2022	450,000	3133EFN29	448,932
FFCB note due 6/14/2022	250,000	3133EKRD0	250,873
FFCB note due 3/8/2023	355,000	3133EJFK0	367,897
FFCB note due 10/23/2023	400,000	3133EK3M6	401,313
FHLB note due 6/12/2020	250,000	313383HU8	246,351
FHLB note due 9/23/2021	285,000	3130A9FB2	276,932
RFC note due 10/15/2020	795,000	76116FAE7	749,051
Total U.S. government agency securities			<u>\$ 3,856,166</u>

All the Federal Agency securities held by the District at December 31, 2019 are rated AA+ by Standard and Poor's.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to a depositor or investor. To limit credit risk, the District's investment policy limits District investments to obligations of the United States and certain U.S. government agency securities, specified local government investment pools, and general obligation and revenue bonds of United States local government entities.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 2: Deposits and Investments (Continued)

Custodial credit risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk. The District's investments are not deemed to be exposed to custodial credit risk because the investments are held by the District or by the District's custody agent in the District's name.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place a limit on the amount that may be invested in any one issuer. Investments amounting to 5% or more in any single issuer of the District's investments total include investment pools, and securities of the Resolution Funding Corporation, Federal National Mortgage Association, Federal Home Loan Bank, and the Federal Farm Credit Bank. These investments are 56%, 7%, 11%, 5%, and 14%, respectively, of the District's total investments at December 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure by coordinating investment maturities with anticipated cash flow requirements, establishing a pattern of rolling maturity dates, and employing a buy-and-hold strategy.

Investment Type	S&P Rating	Investment Maturities (in Years)				Total
		Less Than 1 Year	1 - 2 Years	2-3 Years	3-4 Years	
Deposits	N/A	\$ 770,766	\$ -	\$ -	\$ -	\$ 770,766
Investment Pools	AAAm	5,841,738	-	-	-	5,841,738
Federal Agency Securities	AA+	1,489,942	599,114	997,900	769,210	3,856,166
Total		\$ 8,102,446	\$ 599,114	\$ 997,900	\$ 769,210	\$ 10,468,670

Note 3: Property Taxes

Property taxes for 2019, collectible in 2020, were certified by the Eagle County Commissioners before December 31, 2019. Property taxes attached as an enforceable lien on January 1, 2020 and are due in total April 30, 2020 or in equal installments February 28, 2020 and June 15, 2020, at the option of the taxpayer. Property taxes for 2019, collectible in 2020, are shown as property taxes receivable and deferred inflows on the statement of net position in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 4: Capital Assets

Capital asset activity for the years ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 1,042,148	\$ -	\$ -	\$ 1,042,148
Construction in Progress	17,076	56,031	-	73,107
Total Capital Assets, <i>Not Being Depreciated</i>	1,059,224	56,031	-	1,115,255
Capital Assets, <i>Being Depreciated</i>				
	14,306,921	58,613	-	14,365,534
	3,835,352	604,313	(291,372)	4,148,293
Total Capital Assets, <i>Being Depreciated</i>	18,142,273	662,926	(291,372)	18,513,827
Less Accumulated Depreciation				
Buildings and Improvements	(4,393,379)	(367,276)	-	(4,760,655)
Transportation and Other Equipment	(2,495,770)	(507,231)	291,372	(2,711,629)
Total Accumulated Depreciation	(6,889,149)	(874,507)	291,372	(7,472,284)
Total Capital Assets, <i>Being Depreciated, net</i>	11,253,124	(211,581)	-	11,041,543
Total Capital Assets, <i>net</i>	\$ 12,312,348	\$ (155,550)	\$ -	\$ 12,156,798

Note 5: Lease Agreements

The District, as tenant, has entered into a land lease agreement with Vail Clinic, Inc. To lease the land on which one of the District's ambulance garages is located. The lease term is for forty years through December 31, 2023 and the annual rental is nominal. However, under the terms of the contract, Vail Clinic, Inc. may demand a recalculated rent by giving six months written notice. The recalculated rent would be based upon 12% of the fair market value of the building and improvements and can only be recalculated once every five years as set forth within the land lease agreement. The District and Clinic are currently in negotiations regarding the lease as the building in which the garage is located will be destroyed.

The District, as landlord, has entered into a lease agreement as of November 1, 2011 with Eagle County, Colorado to lease certain real property to be used by Mountain Rescue. The lease term is for twenty-five years through October 31, 2036. The term may be extended for five additional five-year terms at the option of the tenant. The annual rental is nominal. However, under the terms of the contract, if the status of Mountain Rescue as a nonprofit corporation should change in any way during the term of the lease, the District shall have the option of increasing the annual rent payable to not more than 12% of the real estate value of the leasehold estate.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 6: Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment as they have interpreted it.

The Taxpayer's Bill of Rights (TABOR) requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). The District's reserve for 2019 is \$340,000.

On May 7, 1996, the voters authorized the District, effective January 1, 1995, to collect, retain and spend all revenue and other funds collected without limitation under TABOR, provided that the general mill levy not be increased without voter approval.

On May 3, 2016, the voters authorized the District, effective January 1, 2017, to increase the District tax rate by an additional .75 mills, for general operating purposes, resulting in a total District general operating mill levy rate, exclusive of refunds, abatements or debt service, not to exceed 2.75 mills. Previously, the voters also authorized the District to collect, retain and spend all tax revenue and other revenue received from any source, effective January 1, 2002, as a voter approved revenue change offset and exception to the limits which would otherwise apply under TABOR, and as a permanent waiver of the 5.5% limitation under Section 29-1-301.

Note 7: Retirement Plan

The employees of the District participate in a defined contribution retirement plan, created in accordance with Internal Revenue Code Section 401(a). The Plan is maintained and administered by a third-party administrator. In a single employer defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees become eligible to participate in the District's contribution on the first day of the month following employment.

The District changed its retirement plan provider and amended its 401(a) Money Purchase Retirement Plan with new provisions applicable to employees, effective April 13, 2019. Under the old Plan which expired April 12, 2019, the District paid 10% of the employee's compensation for full-time employees with 0 to 36 months of vesting service and 18% of the employee's compensation for full-time employees with 37 or more months of vesting service with the District.

Under the new Plan, for any full-time employee hired on or after April 13, 2019 with 0 to 36 months of vesting service or at least 37 months of vesting service, the District pays 10% of the employee's compensation or 18% of the employee's compensation, respectively, if the employee contributes at least 6% of base pay as elective deferrals toward the Deferred Compensation Plan. The District contributes 7.5% of the employee's compensation for a full-time employee, regardless of the months of vesting service if the employee contributes less than 6% of base pay toward the Deferred Compensation Plan. A part-time employee receives a contribution from the District of 10% or 7.5% of compensation if the employee contributes at least 6% toward the Plan or less than 6% toward the Plan, respectively.

Eagle County Health Service District

Notes to Financial Statements

December 31, 2019

Note 7: Retirement Plan (Continued)

The District's contributions, plus earnings, become vested immediately. There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

The District made the required contributions of \$957,435 for the year ended 2019. No employee contributions were made as all employees contribute to the IRS 457(b) deferred compensation plan created by the District. Employees may contribute up to the statutory IRS limitations to the 457(b) Plan.

Note 8: Employee Note Receivable

The District has an employee housing program, whereby the District will loan monies to qualifying employees toward the purchase of a residence. There are currently 14 loans outstanding ranging from \$27,431 to \$528,125, with a total balance of \$996,894 at December 31, 2019. Most loans have interest rates of 0% and are due five to thirty years from inception of the loan. The District has second deeds of trust on the real property as collateral for all but one of the loans, for which the District has a first deed of trust.

Note 9: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The District has been economically impacted by the event, however the full economic effect has yet to be determined.

Supplementary Information

Eagle County Health Service District
Budgetary Comparison Schedule
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Ambulance Service Revenue	\$ 7,537,093	\$ 7,864,628	\$ 7,724,495	\$ (140,133)
Contractual Allowances and Bad Debts	(3,442,906)	(3,442,906)	(3,399,002)	43,904
Property Taxes	8,006,895	8,006,895	7,914,649	(92,246)
Specific Ownership Taxes	348,000	417,600	451,477	33,877
Interest Income	120,000	216,000	222,415	6,415
Grants and Donations	-	317,526	241,613	(75,913)
Other Income	425,000	89,250	94,531	5,281
Total Revenues	12,994,082	13,468,993	13,250,178	(218,815)
Expenditures				
Salaries and Benefits	8,659,282	8,880,589	8,755,135	125,454
Collection Fees	52,000	52,000	47,836	4,164
Mountain Rescue	5,000	5,000	-	5,000
Supplies and Materials	438,360	504,114	496,155	7,959
Repairs and Maintenance	185,000	185,000	202,313	(17,313)
Utilities	115,000	148,000	139,781	8,219
Professional Development	228,500	226,215	143,415	82,800
Directors' Fees	10,500	10,500	4,156	6,344
Audit and Accounting Fees	9,000	9,000	8,950	50
Insurance	75,000	75,000	71,112	3,888
Legal	45,000	45,000	27,341	17,659
Contracted Service	151,350	222,523	289,011	(66,488)
Communications	147,745	147,745	154,522	(6,777)
Community Service	-	-	7,974	(7,974)
Website and Internet Fees	91,240	91,240	86,652	4,588
Dues, Fees and Subscriptions	144,974	144,974	157,959	(12,985)
Banking and Finance Fees	65,000	-	932	(932)
Travel Expenses	-	-	58,775	(58,775)
Election Fees	45,000	20,000	20,330	(330)
Miscellaneous	31,250	6,245	3,255	2,990
County Treasurer's Fees	240,207	240,207	236,875	3,332
Capital Outlay	962,100	962,100	718,957	243,143
Total Expenditures	11,701,508	11,975,452	11,631,436	344,016
Change in Net Position, Budgetary Basis	\$ 1,292,574	\$ 1,493,541	\$ 1,618,742	\$ 125,201
Adjustments to Budgetary Basis				
Capital Outlay			718,957	
Depreciation			(874,507)	
Change in Net Position, GAAP Basis			\$ 1,463,192	

See the accompanying Independent Auditors' Report.

Eagle County Health Service District
Summary of Assessed Valuation, Mill Levy and Property Tax Collections
For the Year Ended December 31, 2019

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percent Collected to Levied
			Levied	Collected	
2000	\$ 1,336,538,850	0.842	\$ 1,125,366	\$ 1,120,333	99.6%
2001	1,370,099,500	0.842	1,153,623	1,164,763	101.0%
2002	1,606,789,550	0.748	1,201,879	1,185,358	98.6%
2003	1,660,135,700	2.011	3,338,532	3,336,344	99.9%
2004	1,601,410,840	2.005	3,210,829	3,198,793	99.6%
2005	1,614,891,120	2.013	3,250,775	3,239,687	99.7%
2006	1,779,307,750	2.010	3,576,408	3,563,022	99.6%
2007	1,815,651,000	2.006	3,642,281	3,628,843	99.6%
2008	2,513,929,390	2.019	5,075,622	4,885,623	96.3%
2009	2,471,837,810	2.055	5,079,626	4,999,007	98.4%
2010	2,734,782,730	1.780	4,867,912	4,840,164	99.4%
2011	2,733,865,610	1.768	4,833,474	4,818,067	99.7%
2012	2,182,374,500	1.764	3,849,709	3,819,217	99.2%
2013	2,178,631,060	2.023	4,407,370	4,401,107	99.9%
2014 - ECHSD	2,217,722,650	2.006	4,280,310	4,239,765	99.1%
2014 - WECHSD	271,270,310	5.029	1,364,218	1,360,337	99.7%
2015	2,463,856,850	2.019	4,807,290	4,803,926	99.9%
2016	2,816,686,010	2.008	5,469,129	5,461,558	99.9%
2017	2,824,597,990	2.755	7,516,983	7,509,803	99.9%
2018	3,009,029,790	2.753	7,956,786	7,915,452	99.5%
2019	3,017,650,950	2.766	8,006,895	7,914,649	98.8%
2020	3,152,112,370	2.781	8,776,024		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years.
Information received from the County Treasurer does not permit identification of specific year of assessment.