

**LAKE FORK HEALTH SERVICE DISTRICT
Lake City, CO**

**FINANCIAL STATEMENTS
December 31, 2020 and 2019**

TABLE OF CONTENTS

| | |
|---|----|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Statements of Net Position | 7 |
| Statements of Revenues, Expenses, and Changes in Net Position | 8 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements | 10 |
| SUPPLEMENTAL INFORMATION | |
| Budgetary Comparison Schedule – Non-GAAP Basis | 17 |

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lake Fork Health Service District

We have audited the accompanying financial statements of the business-type activities of Lake Fork Health Service District as of and for the year ended December 31, 2020 and 2019, which collectively comprise the District's basic financial statements as listed in the table of contents and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lake Fork Health Service District as of December 31, 2020 and 2019, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Fork Health Service District's financial statements as a whole. The Budgetary Comparison Schedule on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The Budgetary Comparison Schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Longmont, CO
August 31, 2021

Management's Discussion and Analysis

Lake Fork Health Service District

Management's Discussion and Analysis

Introduction:

The Lake Fork Health Service District's management discussion and analysis is intended to provide you, the reader and user of our financial statements, with (a) an understanding of the financial issues of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual, approved budget; and, (e) an assessment of any future financial or operating issues of the District.

Because this discussion and analysis is intended to focus on the 2020 activities, resulting changes, and currently known facts and conditions, it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

These statements are on pages 7 through 16. These and the Other Supplementary Information, Budgetary Comparison Schedule of Revenues and Expenditures on page 17 provide information about the District's financial position as of each December 31, its results of operations and the resulting cash flows for each year ended December 31, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the budgetary comparison schedule, these are presented with current year and prior year comparison.

The **Statement of Net Position** provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining the status quo.

The **Statement of Revenues, Expenses, and Changes in Net Position** provides information about the components – Operating Revenues, Operating Expenses and Nonoperating Revenues and Expenses – of the District's annual operating activities and how those activities affected net position.

The **Statement of Cash Flows** provides an analysis about the sources and uses of District cash during the year and how the operating and investment activities affected the District's cash balances.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

The **Budgetary Comparison Schedule of Revenues and Expenditures** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

Condensed Comparative Financial Information:

Statement of Net Position

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------|---------------------|---------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 564,586 | \$ 304,734 | \$ 362,530 |
| Other current assets | 492,942 | 473,346 | 485,269 |
| | <u>1,057,528</u> | <u>778,080</u> | <u>847,799</u> |
| Non Current Assets | | | |
| Capital assets – net | 2,333,130 | 2,401,792 | 2,486,264 |
| Total Assets | <u>3,390,658</u> | <u>3,179,872</u> | <u>3,334,063</u> |
| Current Liabilities | 32,188 | 30,229 | 64,872 |
| Total Liabilities | <u>32,188</u> | <u>30,229</u> | <u>64,872</u> |
| Deferred Inflows of Resources | <u>296,709</u> | <u>290,385</u> | <u>313,323</u> |
| Net Position | | | |
| Net investment in capital assets | 2,333,130 | 2,401,792 | 2,486,264 |
| Restricted | 16,895 | 15,324 | 14,354 |
| Unrestricted | 711,736 | 442,142 | 455,250 |
| Total Net Position | <u>\$ 3,061,761</u> | <u>\$ 2,859,258</u> | <u>\$ 2,955,868</u> |

Statement of Revenues, Expenses, and Changes in Net Position

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------|---------------------|---------------------|---------------------|
| Operating Revenues | \$ 416,287 | \$ 462,758 | \$ 496,456 |
| Operating Expenses | 1,077,189 | 1,093,230 | 1,156,196 |
| Operating Income (Loss) | <u>(660,902)</u> | <u>(630,472)</u> | <u>(659,740)</u> |
| Non Operating Revenues (Expenses) | 863,405 | 533,862 | 485,070 |
| Change in Net Position | 202,503 | (96,610) | (174,670) |
| Net Position Beginning of Year | 2,859,258 | 2,955,868 | 3,130,538 |
| Net Position, End of Year | <u>\$ 3,061,761</u> | <u>\$ 2,859,258</u> | <u>\$ 2,955,868</u> |

Statement of Cash Flows

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|
| Cash from (for) Operating Activities | \$ (584,261) | \$ (582,056) | \$ (413,624) |
| Cash from Non Capital Financing Activities | 861,926 | 529,265 | 481,204 |
| Cash from (for) Capital and Related Financing Activities | (19,292) | (9,602) | (1,732) |
| Cash from (for) Investing Activities | <u>1,479</u> | <u>4,597</u> | <u>3,866</u> |
| Increase (Decrease) | <u>259,852</u> | <u>(57,796)</u> | <u>69,714</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>304,734</u> | <u>362,530</u> | <u>292,816</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 564,586</u> | <u>\$ 304,734</u> | <u>\$ 362,530</u> |

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Analysis of Financial Position and Operating Results:

Net position increased in 2020 by \$202,503 to \$2,859,258. This is the result of the operating loss of \$660,902, offset by net non-operating revenues of \$863,405.

Unrestricted cash, cash equivalents, and investments of the District at December 31, 2020, totaled \$564,586, which represents approximately 17% of the District's total assets.

Capital Assets, net of accumulated depreciation, of the District at December 31, 2020, totaled \$2,333,130, which represents approximately 69% of the District's total assets.

Net non-operating revenues for 2020 were \$329,543 more than in 2019, due to higher sales tax revenues and grants.

For more information about these changes in net position and the operating activities, please review the accompanying audited financial statements beginning on page 7.

Analysis of Budgetary Comparison Schedule of Revenues and Expenditures:

Actual revenues in 2020 were \$283,325 more than the final budgeted revenues for the District. This is principally due to higher than expected tax revenues and grants. The Districts actual expenditures in 2020 were \$18,570 more than the final budgeted expenditures. This is principally due to higher than anticipated wages.

For more information about the budgeted and actual revenues and expenditures, please review the Budgetary Comparison Schedule of Revenues and Expenditures, which is on page 17 in the accompanying audited financial statements.

Capital Asset and Long-Term Debt Activity:

In fiscal year 2020 LFHSD added \$19, 292 of capital assets before depreciation. These assets consisted principally of the addition of medical equipment. The District did not acquire any new long-term debt or retire any existing long-term debt in 2020.

For more information about the District's capital assets and long-term debt, please review page 15 of the Notes to Financial Statements in the accompanying audited financial statements.

Infrastructure Assets:

The District depreciates its capital assets. See Note 1 of Notes to Financial Statements – Summary of Significant Accounting Policies – Assets and Liabilities – Capital Assets Note 4 of Notes to Financial Statements – Capital Assets.

Financial Condition of the District:

The District continues to look at an Operation Income measure which is calculated as patient revenue plus tax revenue less Operating Expenses (less depreciation, a non-Cash expense) and District Expenses. This measure provides the District a view of the unrestricted cash generated to maintain on-going operations before capital expense.

All Capital Expenditures have been financed through donations or grants to the District, as a result they do not impact the Operating Cash position of the District. The District will continue to watch the impact of operations and changes in patient revenue in relation to insurance and Medicare repayments on Operation Income and its unrestricted cash position.

Requests for information from the District should be mailed to: Lake City Area Medical Center, Post Office Box 999, Lake City, Colorado 81235.

Basic Financial Statements

**Lake Fork Health Service District
Statements of Net Position
December 31, 2020 and 2019**

| | 2020 | 2019 |
|---------------------------------------|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 564,586 | \$ 304,734 |
| Accounts receivable- net of allowance | 53,746 | 77,961 |
| Cash at county treasurer | 45,185 | 27,524 |
| Other receivables | 34,337 | 28,989 |
| Inventory | 62,965 | 48,487 |
| Property taxes receivable | 296,709 | 290,385 |
| Total Current Assets | 1,057,528 | 778,080 |
| Noncurrent Assets | | |
| Capital Assets | | |
| Nondepreciable | 121,500 | 121,500 |
| Depreciable | 4,181,329 | 4,162,037 |
| Total Capital Assets | 4,302,829 | 4,283,537 |
| Less: Accumulated depreciation | (1,969,699) | (1,881,745) |
| Net Capital Assets | 2,333,130 | 2,401,792 |
| Total Noncurrent Assets | 2,333,130 | 2,401,792 |
| Total Assets | 3,390,658 | 3,179,872 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 19,264 | 21,997 |
| Other accrued liabilities | 12,924 | 8,232 |
| Total Current Liabilities | 32,188 | 30,229 |
| Deferred Inflows of Resources | | |
| Deferred property taxes | 296,709 | 290,385 |
| Total Deferred Inflows of Resources | 296,709 | 290,385 |
| Net Position | | |
| Net Investment in capital assets | 2,333,130 | 2,401,792 |
| Restricted for emergencies | 16,895 | 15,324 |
| Unrestricted | 711,736 | 442,142 |
| Total Net Position | \$ 3,061,761 | \$ 2,859,258 |

The accompanying notes are an integral part of these financial statements

Lake Fork Health Service District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Operating Revenues | | |
| Medical center revenue | \$ 484,918 | \$ 544,465 |
| Less adjustments and allowances | (167,329) | (179,810) |
| Dental center revenue | 120,588 | 132,965 |
| Less adjustments and allowances | (21,890) | (34,862) |
| Total Operating Revenues | 416,287 | 462,758 |
| Operating Expenses | | |
| Wages and employee benefits | 684,716 | 651,129 |
| General and administration | 111,693 | 106,535 |
| Supplies | 69,392 | 73,821 |
| Repairs and maintenance | 28,084 | 14,219 |
| Utilities and telephone | 28,379 | 31,779 |
| Education | 5,247 | 7,311 |
| Insurance | 18,592 | 69,367 |
| Consultants | 2,090 | 2,341 |
| Dental center expenses | 41,042 | 42,654 |
| Depreciation expense | 87,954 | 94,074 |
| Total Operating Expenses | 1,077,189 | 1,093,230 |
| Operating Loss | (660,902) | (630,472) |
| Nonoperating Revenues (Expenses) | | |
| Property taxes | 291,615 | 303,504 |
| Specific ownership taxes | 24,329 | 25,580 |
| Sales taxes | 247,216 | 181,710 |
| Grants | 292,733 | 13,000 |
| Donations | 11,675 | 14,969 |
| Investment income | 1,479 | 4,597 |
| Other income | 8,851 | 5,677 |
| County treasurer fees | (14,493) | (15,175) |
| Total Nonoperating Revenues (Expenses) | 863,405 | 533,862 |
| Change in Net Position | 202,503 | (96,610) |
| Net Position, beginning of year | 2,859,258 | 2,955,868 |
| Net Position, end of year | \$ 3,061,761 | \$ 2,859,258 |

The accompanying notes are an integral part of these financial statements

Lake Fork Health Service District
Statements of Cash Flows
For the Year Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|--------------|--------------|
| Cash Flows From Operating Activities | | |
| Cash received from customers | \$ 417,493 | \$ 447,093 |
| Cash paid to suppliers | (434,030) | (421,405) |
| Cash paid to employees | (567,724) | (607,744) |
| Net cash (used) by operating activities | (584,261) | (582,056) |
| Cash Flows From Non-Capital Financing Activities | | |
| Tax revenues, net of fees | 548,667 | 495,619 |
| Donations | 11,675 | 14,969 |
| Grants | 292,733 | 13,000 |
| Other income | 8,851 | 5,677 |
| Net cash provided by non-capital financing activities | 861,926 | 529,265 |
| Cash Flows From Capital And Related Financing Activities | | |
| Acquisitions and construction of capital assets | (19,292) | (9,602) |
| Net cash (used) in capital and related financing activities | (19,292) | (9,602) |
| Cash Flows From Investing Activities | | |
| Investment income received | 1,479 | 4,597 |
| Net cash provided by investing activities | 1,479 | 4,597 |
| Net increase (decrease) in cash and cash equivalents | 259,852 | (57,796) |
| Cash and cash equivalents, beginning of year | 304,734 | 362,530 |
| Cash and cash equivalents, end of year | \$ 564,586 | \$ 304,734 |
| Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Loss | \$ (660,902) | \$ (630,472) |
| Adjustments to reconcile operating loss to cash provided / (used) by operating activities | | |
| Depreciation and amortization | 87,954 | 94,074 |
| Changes in assets and liabilities | | |
| Accounts receivable, net of allowance | 24,215 | 2,646 |
| Other receivables | (23,009) | (18,311) |
| Inventory | (14,478) | 4,650 |
| Accounts payable | (2,733) | (11,255) |
| Other accrued liabilities | 4,692 | (23,388) |
| Net Cash Provided (Used) by Operating Activities | \$ (584,261) | \$ (582,056) |

The accompanying notes are an integral part of these financial statements

**Lake Fork Health Service District
Notes to Financial Statements
December 31, 2020 and 2019**

Note 1 Summary of Significant Accounting Policies

Lake Fork Health Service District (the District) is a political subdivision of the State of Colorado and is governed by a Board of Directors consisting of five people elected by the residents of the District. Until January 1, 2003, the District operated as Lake City Area Medical Center, Inc. (the Center) in Lake City, Colorado. On that date the Center transferred the operations and donated certain assets to the District. The District provides medical services in the Lake City area.

Financial Reporting Entity

The financial statements of the Lake Fork Health Service District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the District's governing body, ability to impose its will on the organization, a potential for the District to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

Enterprise fund accounting is utilized by the District in accordance with accounting principles generally accepted in the United States of America.

Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for medical and dental services. Operating expenses include the cost of providing medical and dental services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Lake Fork Health Service District
Notes to Financial Statements (Continued)
December 31, 2020 and 2019**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices and medical billings. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15 the District manager submits the proposed budget to the District Board of Directors.
- Prior to its adoption, the budget is open for public inspection by the public.
- After the public inspection and consideration of any objections filed, the Board reviews the proposed budget and formally adopts it by resolution.
- At the time of adopting the budget the Board passes an appropriating ordinance giving the District legal authority to spend.
- Prior to December 15th the Board adopts the property tax mill levy.

Budgets for the District’s enterprise fund are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital assets as expenditures and do not include depreciation. Budgets may be amended during the year, after adequate notice and public hearing, by approval of the Board of Directors. Any amendments to the budget are incorporated in the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was not amended in 2020. The District’s actual expenditures exceeded budgeted expenditures for the year; which may be a violation of State budget law.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on January 1st and payable in either one installment on or before April 30th, or two installments due on or before February 28th and June 15th of each year. The collections and the assessments are made by Hinsdale County and are remitted to the District monthly. District property taxes which are due to be paid in the next period, and representing an enforceable lien at January 1st of the next year, have been recorded as a receivable and deferred revenue.

**Lake Fork Health Service District
Notes to Financial Statements (Continued)
December 31, 2020 and 2019**

Note 1 Summary of Significant Accounting Policies (Continued)

Assets and Liabilities

Investments – investments are recorded at fair value, which approximates cost.

Receivables – are valued at the estimated collectible value. Reserves are reviewed by the District’s staff and are based on historical facts and anticipated collections.

Capital assets – are recorded at cost except for the assets which have been contributed, which are stated at estimated fair market value at the date of contribution. The capitalization threshold for fixed assets is \$500. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives. The estimated useful lives are as follows:

| | |
|----------------------------|------------|
| Furniture and Equipment | 5-10 years |
| Buildings and Improvements | 40 years |

Inventories – of medical, dental and pharmacy supplies are stated at the lower of cost or market, using the first-in, first-out method.

Accrued vacation and sick pay –are recorded as current salary when paid, and expire at the end of each calendar year. Any unused time is forfeited.

Net position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” This net position is available for future operations or distributions.

Cash Equivalents

For purposes of the financial statements, including the statement of cash flows, the District considers all restricted and unrestricted highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Use of Estimates in the Preparation of Financial Statements

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

**Lake Fork Health Service District
Notes to Financial Statements (Continued)
December 31, 2020 and 2019**

Note 1 Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

Deferred revenues – deferred revenues include property taxes, which have been certified but not yet collected.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2020, and 2019, the District's cash deposits had a carrying balance of \$263,362 and \$109,934 and a corresponding bank balance of \$271,832 and \$118,532, of which \$251,275 and \$118,532 was insured by the Federal Deposit Insurance Corporation, respectively.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. As of December 31, 2020, the District had \$20,557 and \$0 collateralized under PDPA, respectively.

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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, and 2019, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest. The District has not adopted a formal investment policy.

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

**Lake Fork Health Service District
Notes to Financial Statements (Continued)
December 31, 2020 and 2019**

Note 2 Cash and Investments (Continued)

At December 31, 2020 and 2019, the District had \$300,904 and \$194,480 invested in Colorado Local Government Liquid Asset Trust (COLOTRUST), which is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

A summary of cash and investments at December 31, 2020 and 2019, is as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|-------------------|
| Cash on hand | \$ 320 | \$ 320 |
| Cash deposits | 263,362 | 109,934 |
| COLOTRUST | <u>300,904</u> | <u>194,480</u> |
| Total cash and cash equivalents | <u>\$ 564,586</u> | <u>\$ 304,734</u> |

Note 3 Accounts Receivable

Accounts receivable balances, net of allowance, at December 31, 2020 and 2019, were comprised of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|------------------|
| Patient fees receivable | \$ 77,602 | \$ 116,897 |
| Less Allowance for doubtful accounts | (23,856) | (38,936) |
| Net Receivables | <u>\$ 53,746</u> | <u>\$ 77,961</u> |

**Lake Fork Health Service District
Notes to Financial Statements (Continued)
December 31, 2020 and 2019**

Note 4 Capital Assets

A summary of changes to capital assets for 2020 and 2019 are as follows:

| | Balance at 12/31/2019 | Additions | Deletions | Balance at 12/31/2020 |
|-------------------------------|--------------------------|--------------------|-------------|--------------------------|
| Nondepreciable | | | | |
| Land | \$ 121,500 | - | - | \$ 121,500 |
| Total Nondepreciable | <u>121,500</u> | <u>-</u> | <u>-</u> | <u>121,500</u> |
| Depreciable | | | | |
| Building | 2,968,642 | - | - | 2,968,642 |
| Furniture & Equipment | 462,711 | 19,292 | - | 482,003 |
| Machinery & Equipment | 391,585 | - | - | 391,585 |
| Dental Equipment | 112,212 | - | - | 112,212 |
| Other | 226,887 | - | - | 226,887 |
| Total Depreciable | <u>4,162,037</u> | <u>19,292</u> | <u>-</u> | <u>4,181,329</u> |
| TOTAL | <u>4,283,537</u> | <u>19,292</u> | <u>-</u> | <u>4,302,829</u> |
| Less Accumulated Depreciation | <u>(1,881,745)</u> | <u>(87,954)</u> | | <u>(1,969,699)</u> |
| Net Capital Assets | <u>\$ 2,401,792</u> | <u>\$ (68,662)</u> | <u>\$ -</u> | <u>\$ 2,333,130</u> |

| | Balance at 12/31/2018 | Additions | Deletions | Balance at 12/31/2019 |
|-------------------------------|--------------------------|--------------------|-------------|--------------------------|
| Nondepreciable | | | | |
| Land | \$ 121,500 | - | - | \$ 121,500 |
| Total Nondepreciable | <u>121,500</u> | <u>-</u> | <u>-</u> | <u>121,500</u> |
| Depreciable | | | | |
| Building | 2,968,642 | - | - | 2,968,642 |
| Furniture & Equipment | 453,109 | 9,602 | - | 462,711 |
| Machinery & Equipment | 391,585 | - | - | 391,585 |
| Dental Equipment | 112,212 | - | - | 112,212 |
| Other | 226,887 | - | - | 226,887 |
| Total Depreciable | <u>4,152,435</u> | <u>9,602</u> | <u>-</u> | <u>4,162,037</u> |
| TOTAL | <u>4,273,935</u> | <u>9,602</u> | <u>-</u> | <u>4,283,537</u> |
| Less Accumulated Depreciation | <u>(1,787,671)</u> | <u>(94,074)</u> | | <u>(1,881,745)</u> |
| Net Capital Assets | <u>\$ 2,486,264</u> | <u>\$ (84,472)</u> | <u>\$ -</u> | <u>\$ 2,401,792</u> |

Note 5 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, and salary or benefit increases. The District has restricted net position of \$16,895 and \$15,324 related to TABOR for the year ended December 31, 2020 and 2019, respectively.

**Lake Fork Health Service District
Notes to Financial Statements (Continued)
December 31, 2020 and 2019**

Note 6 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded this commercial coverage in any of the last three years.

Note 7 Reclassifications

Certain items have been reclassified from the previous year to conform with the presentation of the current year's financial statements.

Other Supplementary Information

Lake Fork Health Service District
Budgetary vs. Actual Comparison - Non GAAP Basis
For the Year Ended December 31, 2020

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|------------------------------|-------------------|--|
| Revenues | | | |
| Medical patient fees | \$ 369,150 | \$ 269,299 | \$ (99,851) |
| Dental patient fees | 115,245 | 98,698 | (16,547) |
| Medicare cost audit report | 40,000 | 48,290 | 8,290 |
| Property taxes | 303,000 | 291,615 | (11,385) |
| Specific ownership taxes | 23,000 | 24,329 | 1,329 |
| Sales taxes | 144,600 | 247,216 | 102,616 |
| Donations | 5,500 | 11,675 | 6,175 |
| Grants | 2,000 | 292,733 | 290,733 |
| Interest | 3,500 | 1,479 | (2,021) |
| Other income | 4,865 | 8,851 | 3,986 |
| Total Revenues | <u>1,010,860</u> | <u>1,294,185</u> | <u>283,325</u> |
| Expenses | | | |
| Wages and benefits | 662,841 | 684,716 | (21,875) |
| General and Administration | 129,845 | 111,693 | 18,152 |
| Supplies | 58,750 | 69,392 | (10,642) |
| Repairs and maintenance | 27,514 | 28,084 | (570) |
| Utilities and telephone | 32,326 | 28,379 | 3,947 |
| Education | 2,500 | 5,247 | (2,747) |
| Insurance | 22,600 | 18,592 | 4,008 |
| Consultants and contracts | 8,300 | 2,090 | 6,210 |
| Dental expenses | 44,074 | 41,042 | 3,032 |
| County treasurer fees | 15,700 | 14,493 | 1,207 |
| Capital outlay | - | 19,292 | (19,292) |
| Total Expenses | <u>1,004,450</u> | <u>1,023,020</u> | <u>(18,570)</u> |
| Revenues over (under) Expenditures | <u>\$ 6,410</u> | <u>\$ 271,165</u> | <u>\$ 264,755</u> |
| Reconciliation to Net Income | | | |
| Add Capital Outlay | | 19,292 | |
| Less Depreciation Expense | | (87,954) | |
| Net Income | | <u>\$ 202,503</u> | |

See the Independent Auditor's Report