

**SOUTH PARK HEALTH SERVICE DISTRICT
Park County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**SOUTH PARK HEALTH SERVICE DISTRICT
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YEAR ENDED DECEMBER 31, 2020**

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Independent Auditor's Report

Board of Directors
South Park Health Service District
Park County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of South Park Health Service District (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 respective financial position of the governmental activities and major fund of South Park Health Service District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
Lakewood, Colorado

September 28, 2021

BASIC FINANCIAL STATEMENTS

**SOUTH PARK HEALTH SERVICE DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,293,099
Cash and Investments - Restricted	30,000
Prepaid Expense	9,814
Accounts Receivable	170,233
Capital Assets, Not Being Depreciated	123,171
Capital Assets, Net	367,377
Total Assets	1,993,694
LIABILITIES	
Accounts Payable	7,144
Total Liabilities	7,144
NET POSITION	
Net Investment in Capital Assets	490,548
Restricted for:	
Emergency Reserves	30,000
Unrestricted	1,466,002
Total Net Position	\$ 1,986,550

See accompanying Notes to Basic Financial Statements.

**SOUTH PARK HEALTH SERVICE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 67,695	\$ 762	\$ 8,850	\$ -	\$ (58,083)
Clinic Operations	320,904	-	-	495,011	174,107
Health Service Support	20,028	-	-	-	(20,028)
Total Governmental Activities	\$ 408,627	\$ 762	\$ 8,850	\$ 495,011	95,996
GENERAL REVENUES					
					948,783
					5,865
					6,346
					960,994
CHANGE IN NET POSITION					
					1,056,990
					929,560
					\$ 1,986,550

See accompanying Notes to Basic Financial Statements.

**SOUTH PARK HEALTH SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2020**

	General	Total Governmental Fund
ASSETS		
Cash and Investments	\$ 1,293,099	\$ 1,293,099
Cash and Investments - Restricted	30,000	30,000
Prepaid Expense	9,814	9,814
Accounts Receivable	170,233	170,233
Total Assets	\$ 1,503,146	\$ 1,503,146
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 7,144	\$ 7,144
Total Liabilities	7,144	7,144
FUND BALANCE		
Nonspendable:		
Prepaid Expense	9,814	9,814
Restricted for:		
Emergency Reserve	30,000	30,000
Assigned:		
Subsequent Year's Expenditures	1,148,728	1,148,728
Unassigned	307,460	307,460
Total Fund Balance	1,496,002	1,496,002
Total Liabilities and Fund Balance	\$ 1,503,146	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets, Not Being Depreciated		123,171
Capital Assets, Net		367,377
Net Position of Governmental Activities		\$ 1,986,550

See accompanying Notes to Basic Financial Statements.

**SOUTH PARK HEALTH SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2020**

	General	Total Governmental Fund
REVENUES		
Sales Tax Revenue	\$ 948,783	\$ 948,783
Motor Vehicle Tax Revenue	5,865	5,865
Net Investment Income	6,346	6,346
Rent Income	762	762
Reimbursed Expenditures	8,850	8,850
Total Revenues	970,606	970,606
EXPENDITURES		
General and Administrative	67,695	67,695
Clinic Expenditures	316,441	316,441
Health Service Support	20,028	20,028
Total Expenditures	404,164	404,164
NET CHANGE IN FUND BALANCE	566,442	566,442
Fund Balance - Beginning of Year	929,560	929,560
FUND BALANCE - END OF YEAR	\$ 1,496,002	\$ 1,496,002

See accompanying Notes to Basic Financial Statements.

**SOUTH PARK HEALTH SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Fund \$ 566,442

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay	2,277
Depreciation Expense	(6,740)

Some revenues reported in the statement of activities do not provide the current financial resources and, therefore, are not reported as revenues in governmental funds.

Contribution of Capital Assets from the Town of Fairplay	495,011
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Change in Net Position of Governmental Activities	\$ 1,056,990
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**SOUTH PARK HEALTH SERVICE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sales Tax Revenue	\$ 500,000	\$ 948,783	\$ 448,783
Motor Vehicle Tax Revenue	2,500	5,865	3,365
Net Investment Income	6,000	6,346	346
Rent Income	-	762	762
Reimbursed Expenditures	-	8,850	8,850
Total Revenues	508,500	970,606	462,106
EXPENDITURES			
General and Administrative:			
Accounting	20,000	27,852	(7,852)
Advertising and Promotion	1,000	578	422
Continuing Education	1,000	-	1,000
Director's Fees	12,000	4,400	7,600
District Administration	34,000	163	33,837
Dues and Subscriptions	750	663	87
Election	2,500	659	1,841
Meals and Entertainment	2,000	103	1,897
Office Supplies	1,000	741	259
Payroll Taxes	918	337	581
Postage	600	79	521
Travel	1,000	-	1,000
Website	300	321	(21)
Insurance and Bonds	3,200	5,393	(2,193)
Legal Services	20,000	26,406	(6,406)
Clinic Operations:			
Operations (HealthONE)	300,000	300,000	-
Building Maintenance	-	2,626	(2,626)
Capital Outlay	75,000	2,277	72,723
Landscape Maintenance	5,000	1,483	3,517
Rent	12	-	12
Security	1,352	-	1,352
Snow Removal	5,000	1,205	3,795
Utilities	12,213	8,850	3,363
Health Service Support:			
Research	75,000	-	75,000
Rocky Mountain Rural Health	25,000	20,028	4,972
Pharmacy	5,000	-	5,000
Total Expenditures	603,845	404,164	199,681
NET CHANGE IN FUND BALANCE	(95,345)	566,442	661,787
Fund Balance - Beginning of Year	753,754	929,560	175,806
FUND BALANCE - END OF YEAR	\$ 658,409	\$ 1,496,002	\$ 837,593

See accompanying Notes to Basic Financial Statements.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

South Park Health Service District (the District), is a quasi-municipal corporation and political subdivision located in the Town of Fairplay, Park County, Colorado and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was formed by order and decree of the District Court in and for Park County on July 13, 2017. The formation of the District was approved by the Town of Fairplay, Colorado. The District was organized to assist in funding essential health services in the South Park region of Park County.

The District was established to assist in funding essential health services in the South Park region of Park County, including pediatric care, mental health services, dental, pharmaceutical, and other health services.

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 organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are sales tax and motor vehicle tax revenue. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses 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 appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Sales Tax

Upon the approval of the District' eligible electors, the District levies a uniform 1% sales tax throughout the entire geographical area of the District upon every transaction or other incident with respect to which a sales tax is levied by the state, except that such sales tax shall not be levied on the sale of cigarettes.

Rent Income

Pursuant to the Lease Agreements between the District and HealthOne Clinic Service, LLC (HealthOne), and the Lease Agreements between the District and Rocky Mountain Rural Health, Inc (RMRH), HealthOne and RMRH agrees to lease the premises located at 525 Hathaway Street, Fairplay, Colorado 80440 at the monthly rental of \$1 and of \$100 respectively.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings and improvements are depreciated using the straight-line method over the estimated economic useful life of 50 years.

Contributed Capital Assets

Capital assets contributed to the District by Town of Fairplay are recorded as capital contributions and additions at estimated fair value when received.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

Net Position for the District is reported in three classifications: net investment in capital assets, restricted and unrestricted. Restricted net position includes net position with restrictions that are imposed by outside parties, constitutional provision or legislation.

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,293,099
Cash and Investments - Restricted	30,000
Total Cash and Investments	\$ 1,323,099

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 31,643
Investments	1,291,456
Total Cash and Investments	\$ 1,323,099

Deposits with Financial Institutions

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 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 102% of the aggregate uninsured deposits.

The State Commissioners for banks 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.

On December 31, 2020, the District's cash deposits had a bank and carrying balance of \$31,643.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 1,291,456

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance - December 31, 2019	Increases	Decreases	Balance - December 31, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ -	\$ 123,171	\$ -	\$ 123,171
Total Capital Assets, Not Being Depreciated	-	123,171	-	123,171
Capital Assets, Being Depreciated:				
Building	-	374,117	-	374,117
Total Capital Assets, Being Depreciated	-	374,117	-	374,117
Less Accumulated Depreciation For:				
Building	-	(6,740)	-	(6,740)
Total Accumulated Depreciation	-	(6,740)	-	(6,740)
Total Capital Assets, Being Depreciated, Net	-	367,377	-	367,377
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 490,548</u>	<u>\$ -</u>	<u>\$ 490,548</u>

NOTE 5 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the District had net investment in capital assets in the amount of \$490,548.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020 in the amount of \$30,000 for Emergency Reserves.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 6 AGREEMENTS

Care Collaboration Agreement

The District entered into Care Collaboration Agreement (the Agreement) with HealthOne Clinic Service, LLC (HealthOne) on December 21, 2018 to enhance health care services by providing access to HealthOne resources to enable patients to receive Services within the District service area where medically appropriate. Pursuant to the Agreement, HealthOne agrees to establish and operate a medical practice authorized to engage in the practice of medicine in the state of Colorado, to furnish certain services through the operation of a clinic located in a medical clinic building at 525 Hathaway Street, Fairplay, Colorado. During the term of the Agreement, and subject to annual appropriation, the District shall pay to HealthOne an annual subsidy to support medical practice operations. No later than 90 days prior to the end of each renewal term, the parties shall mutually agreement on the Annual Subsidy amount for each subsequent renewal term.

In November 2019, the District entered into an Agreement for Annual Subsidy for 2020 between HealthOne, and agrees to pay a subsidy in the amount of \$300,000 in two installments.

Contract to Buy and Sell Real Estate

On May 15, 2020, The District agreed to buy the property located at 525 Hathaway Street, Fairplay, Colorado 80440 from the Town of Fairplay at the purchase price of \$10. According to Park County Assessor's office, the estimated fair value at the date of purchase is \$123,171 for the land and \$371,850 for the building.

Lease Agreement with HealthOne Clinic Service, LLC

Pursuant to the Lease Agreement, dated May 15, 2020, between the District and HealthOne, HealthOne agrees to lease the premises located at 525 Hathaway Street, Fairplay, Colorado 80440 at the annual rental of \$12. HealthOne is also responsible for 80% of the actual cost of utilities to the building which are not separately metered or billed to the leased premises including sewer, water, gas, and electricity but not including telephone service.

Lease Agreement with Rocky Mountain Rural health, Inc

Pursuant to the Lease Agreement, dated May 15, 2020, between the District and Rocky Mountain Rural health, Inc (RMRH), RMRH agrees to lease the premises located at 525 Hathaway Street, Fairplay, Colorado 80440, but not including portion of such premises leased to HealthOne, at the monthly rental of \$100. RMRH is also responsible for 20% of the actual cost of utilities to the building which are not separately metered or billed to the leased premises including sewer, water, gas, and electricity but not including telephone service.

**SOUTH PARK HEALTH SERVICE DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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, or salary or benefit increases.

The District's management has taken steps it believes are necessary to comply with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.