

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY**

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



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**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>13</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>14</b>
<b>BALANCE SHEET – GOVERNMENTAL FUND</b>	<b>15</b>
<b>RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND     TO THE STATEMENT OF NET POSITION</b>	<b>16</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE – GOVERNMENTAL FUND</b>	<b>17</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND TO THE     STATEMENT OF ACTIVITIES</b>	<b>18</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>19</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE BUDGET TO ACTUAL – GENERAL FUND</b>	<b>34</b>
<b>NOTE TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>35</b>



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Health Services District of Northern Larimer County, Colorado as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Health Services District of Northern Larimer County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Health Services District of Northern Larimer County, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health Services District of Northern Larimer County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Health Services District of Northern Larimer County adopted new accounting guidance for leases. The guidance required lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Services District of Northern Larimer County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

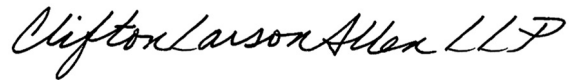
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Health Services District of Northern Larimer County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Services District of Northern Larimer County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
May 9, 2023

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

This section of the financial report is a required component of the annual financial statements for governmental organizations and is intended to help explain the financial activity for the fiscal year ended December 31, 2022, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

**Financial Highlights**

- Assets for the Health Services District of Northern Larimer County (Health District) exceeded liabilities and deferred inflows of resources by \$15,762,077 an increase of \$1,473,775 over the prior year.
- As of the close of the fiscal year, the Health District's governmental fund balance totaled \$6,287,174 an increase of \$1,393,974 over the prior year. Approximately 93% of this amount (\$5,823,695) is available at the Health District's discretion (unassigned).
- Approximately \$11.3 million of the revenues received in 2022 were used to provide health related services to residents in the northern two-thirds of Larimer County.

**Overview of Financial Statements**

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

**Required Financial Statements**

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

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

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**Fund Financial Statements**

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

*Governmental Fund*

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

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

**Financial Analysis**

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Health District, assets exceed liabilities and deferred inflows of resources by \$15,762,077 at the close of the most recent fiscal year.

Cash and investments represent 8% of total assets. The funds on hand represent resources available for operations and contingencies of the Health District and are invested in local government investment pool and certificates of deposit.

Approximately 12% of the Health District's total assets reflect investment in capital assets (e.g. land, buildings, medical equipment, dental equipment, right-to-use lease building and computer hardware). The Health District uses these capital assets to provide health services to citizens of the northern two-thirds of Larimer County; consequently, these assets are not available for future spending. Unrestricted net position may be used to meet the Health District's ongoing obligations to creditors.

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

Effective January 1, 2022, the Health District implemented the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The implementation of this standard resulted in the Health District reporting a right-to-use asset and lease liability disclosed in Note 5 and 7, respectively, and also resulted in the Health District reporting a lease receivable as disclosed in Note 4. As of December 31, 2022, the lease receivable was \$59,776,314 or 70% of total assets and is the main driver of the increase in current and other assets as listed in Table A-1.

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

Table A-1  
Condensed Statement of Net Position

	2022	2021	Dollar Change	Percent Change
Current and Other Assets	\$ 75,534,539	\$ 15,013,566	\$ 60,520,973	403.11%
Capital Assets	9,864,652	9,852,154	12,498	0.13%
Total Assets	<u>85,399,191</u>	<u>24,865,720</u>	<u>60,533,471</u>	<u>243.44%</u>
Current Liabilities	845,886	1,384,698	(538,812)	-38.91%
Noncurrent Liabilities	389,749	491,954	(102,205)	-20.78%
Total Liabilities	<u>1,235,635</u>	<u>1,876,652</u>	<u>(641,017)</u>	<u>-34.16%</u>
Deferred Inflows of Resources	<u>68,401,479</u>	<u>8,700,766</u>	<u>59,700,713</u>	<u>686.15%</u>
Total Net Position	<u>\$ 15,762,077</u>	<u>\$ 14,288,302</u>	<u>\$ 1,473,775</u>	<u>10.31%</u>

Net position consists of the following components:

	2022	2021	Dollar Change	Percent Change
Investment in Capital Assets	\$ 9,861,149	\$ 9,887,056	\$ (25,907)	-0.26%
Restricted	381,593	356,238	25,355	7.12%
Unrestricted	5,519,335	4,045,008	1,474,327	36.45%

A portion of the Health District's net position of \$381,593 represents resources that are subject to external restrictions (TABOR reserve). The balance of unrestricted net position of \$5,519,335 may be used to meet the Health District's obligations to citizens and creditors.

The unassigned fund balance of \$5,823,695 presented in the governmental fund balance sheet on page 15 provides a succinct view of the Health District's liquid resources that are available to the Health District on a short-term basis. Board policy requires the Health District to maintain a minimum of \$1 million dollars in liquid reserves.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

Table A-2  
Condensed Statement of Activities

	2022	2021	Dollar Change	Percent Change
<b>REVENUES</b>				
Program Revenues:				
Net Charges for Services	\$ 1,047,583	\$ 1,020,928	\$ 26,655	2.61%
Operating Grants and Contributions	664,487	720,828	(56,341)	-7.82%
General Revenues:				
Property and Specific				
Ownership Tax	9,343,693	8,913,528	430,165	4.83%
Lease Revenue	1,802,669	1,343,554	459,115	34.17%
Other Revenue	177,580	38,497	139,083	361.28%
Total Revenues	<u>13,036,012</u>	<u>12,037,335</u>	<u>998,677</u>	<u>8.30%</u>
<b>EXPENSES</b>				
Dental Services	3,237,708	3,382,342	(144,634)	-4.28%
Grants, Partnerships, and Special Projects	1,460,045	1,645,423	(185,378)	-11.27%
Connections: Mental Health/ Substance Use Issues Services	1,889,256	1,821,661	67,595	3.71%
MH/SA/Primary Care	1,097,326	1,043,001	54,325	5.21%
Healthcare Access	1,034,409	1,022,052	12,357	1.21%
General Government	1,061,557	989,142	72,415	7.32%
Health Promotion	781,321	777,319	4,002	0.51%
Community Impact	600,563	539,979	60,584	11.22%
Assessment, Research and Evaluation	247,475	246,355	1,120	0.45%
Resource Development	152,577	182,287	(29,710)	-16.30%
Total Expenses	<u>11,562,237</u>	<u>11,649,561</u>	<u>(87,324)</u>	<u>-0.75%</u>
<b>CHANGE IN NET POSITION</b>	1,473,775	387,774	1,086,001	
Net Position - Beginning of Year	<u>14,288,302</u>	<u>13,900,528</u>	<u>387,774</u>	<u>2.79%</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 15,762,077</u>	<u>\$ 14,288,302</u>	<u>\$ 1,473,775</u>	<u>10.31%</u>

The Health District's net position increased by \$1,476,775 during the current fiscal year.

**2022: The Challenges of COVID-19 Continue**

On March 5, 2020, Colorado reported its first case of COVID-19, directly linking Colorado to the global pandemic caused by the SARS-CoV-2 virus. COVID-19 impacted Health District services in many ways. Maintaining critical health services (and expanding mental health services) took high priority. During 2021 and early into 2022, the Health District continued to maintain those critical health services both in person and remotely. Health District staff continued to operate the isolation/recovery and quarantine (IRQ) facility for people experiencing homelessness. As 2022 progressed, the Health District was able to shut down the IRQ facility mid-year, COVID related precautions lessened, and progress was made towards resuming normal operations.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

**Revenues**

Property and specific ownership taxes accounts for 72% of the Health District's revenue. The amount of revenue from property taxes is driven by the assessed valuation of the taxable properties within the Health District boundaries and by the voter approved mill levy for the Health District. Lease revenue accounts for 14% of the Health District's revenue and the remaining 14% comes from net program fees for services provided, grants, contributions, and investment income.

Significant changes in revenue include the following:

Net charges for services increased 2.61% (\$26,655) when compared to 2021. The Family Dental Clinic experienced an 8% (\$64,715) increase in revenue. During 2022, the Family Dental Clinic continued to expand on efforts to provide patients with comprehensive care and facilitated completion of their treatment plans. Early in the year COVID impacted the capacity for visits, which slowly began to have less of an impact over the year. Uninsured undocumented persons became eligible for public health benefits on July 1, 2022. This increased the number of patients served.

The MH/SA/Primary Care program experienced a 23% (\$45,650) decrease in revenue over the prior year. Much of this was attributable to the decrease in staffing and the decrease in billable services that were provided by the Health District at a community health center.

The Mental Health Connections program, which serves children, adolescents, teenagers, families, and adults saw a 24% increase (\$7,729) in revenue over the prior year and an increase in the number of contacts. A new model of care allowed staff to increase the number of contacts which were greater in each quarter of 2022 than in 2021. During 2022, the CAYAC program had less need to use outside mental health providers.

In 2022, the Health District received \$1,802,669 from their lease with PVHS and the tenants at the new Mulberry office location. This is a 34% (\$459,115) increase over 2021.

**Expenses**

The Health District's direct expenditures were approximately 31% (\$5,116,876) less than budgeted. During 2022, the Health District experienced a decrease in staffing levels. The overall capacity to serve clients was lower than in the previous year.

The Health District provided approximately \$11.3 million to the community in health-related services. The Family Dental Clinic, Health Promotions, Mental Health Connections, Integration of Mental Health Substance Abuse Services into Primary Care (MH/SA/Primary Care) provided \$8.0 million in direct health services to the community, and other programs provided another \$3.3 million in indirect health related services.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

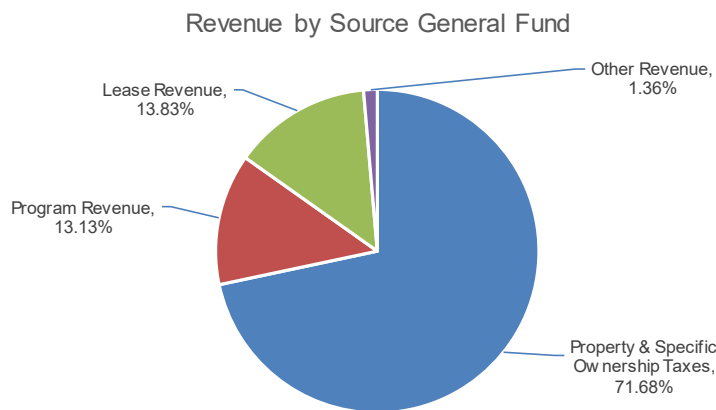
Significant changes in expenses include the following:

Health District program expenses realized a 1% (\$87,324) net decrease when compared to 2021.

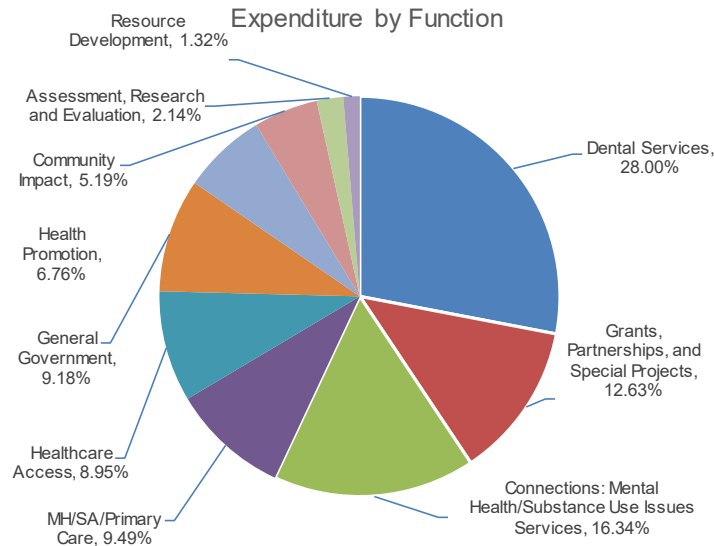
Health District projects funded through grants, community partnerships and Board approved reserve expenses decreased 11.0% (\$185,378) over prior year as a result of multi-year projects funded by both grants and Health District funds and priority time-limited projects coming to an end. The pursuit of additional grant funding was minimal during the year.

The Dental Services program realized a 4.28% (\$144,634) decrease in expenses over the prior year due to lower staffing numbers and some continued COVID related measures in place.

While the condensed statement of activities presented on page 7 Table A-2, provides information as to the nature and sources of these changes, the following charts show the sources of the Health District's revenue and how these funds are spent.



**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**



**Budgetary Highlights**

The Health District adopts annual Operations and Capital budgets outlining the estimated expenditures for programs or projects already authorized or to be considered by the Health District’s Board of Directors. Funds budgeted but not spent from the current year’s budget may be re-appropriated for future use. Periodically, the Health District has opportunities to provide unique, time-limited programs that are funded with external grant funds, the Health District reserve funds and/or in partnership with others in the community. These partnerships relate to the mission of the Health District and generally relate to programs of the Health District, but given their short-term nature are classified as grants, partnerships, or special projects in the accompanying financial statements to distinguish them from the normal programmatic expenditures of the Health District.

The financial impacts from COVID dissipated towards the end of 2022. The Health District’s ability to provide services to the community was greatly increased as a result of reduced COVID-19 restrictions.

The Health District’s 2022 budget includes revenues for actual external grant awards as well as potential external grant awards. In order to appropriate adequate revenues and expenditures so that budgets will not have to be revised mid-year, every possible external grant application is included in the budget, even though many will not be awarded, and some may not be submitted. A significant portion of the revenue shortfall can be attributed to conservative grant revenue that was budgeted but not received and the postponement of partnership projects.

Revenue from investment earnings was 88.9% greater than was budgeted. Much of this significant shift was due to the increased interest earnings during 2022.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

A comparison of 2022 budget to actual revenue and expenditures can be found on page 34.

**Capital Assets and Debt Administration**

*Capital Assets*

As of December 31, 2022, the Health District's investment in capital assets totaled \$9.9 million (net of accumulated depreciation and amortization). This investment in capital assets includes buildings, improvements, renovations, dental equipment, office equipment, right-to-use lease building and computer software.

During 2022, \$292,033 was expended on capital assets. These capital expenditures include office equipment, dental equipment, right-to-use lease building and computer software. See Note 5.

Table A-3  
Capital Assets  
Net of Accumulated Depreciation and Amortization

	2022	2021
Land	\$ 4,592,595	\$ 4,592,595
Construction in Progress	195,108	34,902
Buildings and Building Improvements	4,901,150	5,079,476
Equipment	175,799	180,083
Net Capital Assets	<u>\$ 9,864,652</u>	<u>\$ 9,887,056</u>

*Debt Administration*

The Health District has no outstanding debt. Additional information on the Health District's contingent obligations can be found in Note 9 to the financial statements.

**Economic Factors and Next Year's Budget**

During 2022, Colorado experienced continued economic recovery from the COVID-19 pandemic. Colorado has experienced an increase in real GDP and a decrease in the unemployment rate when compared to 2020. Colorado averaged a 11.8% unemployment rate in May 2020 compared to a 3.3% rate in July 2022 (University of Colorado 2023 Business Economic Outlook). High inflation and supply demands remained a key challenge to the economy into 2022.

Property and specific ownership taxes are anticipated to account for approximately 71% of the Health District's operating revenues in 2023. The Health District expects a 5% decrease in property tax revenue. Specific ownership tax revenue is expected to remain the same from the prior year. Interest rates are expected to increase during 2023.

The budget for 2023 was planned with a conservative outlook and a need to be prepared for changes to the property taxes along with possible impacts from inflation during the year.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022**

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

The Health District approved a \$20.5 million budget for 2023 with total operations expenditures of \$16.6 million.

**Request for Information**

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

**ASSETS**

Cash and Investments	\$ 6,928,347
Receivables:	
Patients, Net of Allowances of \$2,506	49,254
Grants Receivable and other	26,063
Property Taxes	8,625,297
Specific Ownership Taxes	47,378
Prepaid Items	81,886
Lease Receivable - Current	246,483
Lease Receivable - Non Current	59,529,831
Capital Assets Not Being Depreciated:	
Land	4,592,595
Construction in Progress	195,108
Capital Assets - Net of Accumulated Depreciation and Amortization:	
Buildings and Building Improvements	4,901,150
Equipment	175,799
Total Assets	85,399,191

**LIABILITIES**

Accounts Payable	316,513
Accrued Payroll and Payroll Taxes	286,829
Deposits	15,261
Unearned Revenue:	
Grants and Partnerships	226,223
Dental Services	1,060
Long-Term Liabilities:	
Leases, Due Within One Year	3,503
Compensated Absences, Due Within One Year	365,726
Compensated Absences, Due in More than One Year	20,520
Total Liabilities	1,235,635
Deferred Inflows of Resources:	
Property Taxes	8,625,165
Leases	59,776,314
Total Deferred Inflows of Resources	68,401,479
Net Position:	
Net Investment in Capital Assets	9,861,149
Restricted for TABOR Reserve	381,593
Unrestricted	5,519,335
Total Net Position	\$ 15,762,077

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	Expenses	Program Revenue		Net Revenue (Expense) and Changes in Net Position
		Net Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental Activities:				
Dental Services	\$ 3,237,708	\$ 856,252	\$ -	\$ (2,381,456)
Grants, Partnerships and Special Projects	1,460,045	-	664,487	(795,558)
Connections: Mental Health/ Substance Use Issues Services	1,889,256	40,413	-	(1,848,843)
MH/SA/Primary Care	1,097,326	149,719	-	(947,607)
Healthcare Access	1,034,409	450	-	(1,033,959)
General Government	1,061,557	-	-	(1,061,557)
Health Promotion	781,321	749	-	(780,572)
Community Impact	600,563	-	-	(600,563)
Assessment, Research and Evaluation	247,475	-	-	(247,475)
Resource Development	152,577	-	-	(152,577)
Total Governmental Activities	\$ 11,562,237	\$ 1,047,583	\$ 664,487	(9,850,167)
General Revenues:				
Property and Specific Ownership Taxes				9,343,693
Lease Revenue				1,802,669
Investment Earnings				122,785
Gain on Asset Disposal				28,710
Other Income				26,085
Total General Revenues				11,323,942
<b>CHANGE IN NET POSITION</b>				1,473,775
Net Position - Beginning of Year				14,288,302
<b>NET POSITION - END OF YEAR</b>				<b>\$ 15,762,077</b>

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
BALANCE SHEET – GOVERNMENTAL FUND  
DECEMBER 31, 2022**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 6,928,347
Receivables:	
Patients, Net of Allowances of \$2,506	49,254
Grants Receivable and Other	26,063
Property Taxes	8,625,297
Specific Ownership Taxes	47,378
Leases	59,776,314
Prepaid Items	81,886
Total Assets	\$ 75,534,539
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
Liabilities:	
Accounts Payable	\$ 316,513
Accrued Payroll and Payroll Taxes	286,829
Deposits	15,261
Unearned Revenue:	
Grants and Partnerships	226,223
Dental Services	1,060
Total Liabilities	845,886
Deferred Inflows of Resources:	
Property Taxes	8,625,165
Leases	59,776,314
Total Deferred Inflows of Resources	68,401,479
Fund Balance:	
Nonspendable - Prepaid Items	81,886
Restricted - TABOR Reserve	381,593
Unassigned	5,823,695
Total Fund Balance	6,287,174
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 75,534,539

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
RECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

Total Fund Balance - Governmental Fund	\$	6,287,174
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		9,864,652
Long-term liabilities, including net pension and net post employment benefit obligations, are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities at year-end consist of lease liability.		(3,503)
Compensated absences are not uses of financial resources in governmental activities and are therefore not reported in the fund. However, compensated absences are treated as a liability in the statement of net position. This is the total of the liability as of December 31, 2022.		<u>(386,246)</u>
Total Net Position		<u>\$ 15,762,077</u>

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	<u>General Fund</u>
<b>REVENUE</b>	
Property and Specific Ownership Taxes	\$ 9,343,693
Net Charges for Services	1,047,583
Lease Income	1,802,669
Grants and Partnerships	664,487
Investment Earnings	122,785
Miscellaneous Income	26,085
Total Revenue	13,007,302
<b>EXPENDITURES</b>	
General Government	1,054,868
Program Operations:	
Dental Services	3,182,106
MH/SA/Primary Care	1,091,051
Health Promotion	772,353
Community Impact	589,163
Connections: Mental Health/Substance Use Issues Services	1,862,179
Grants, Partnerships, and Special Projects	1,459,388
Assessment, Research and Evaluation	244,780
Resource Development	149,775
Health Care Access	970,042
Subtotal	11,375,705
Capital Outlay	227,673
Debt Service - Principal	41,393
Debt Service - Interest	657
Total Expenditures	11,645,428
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from Sale of Capital Asset	32,100
Total Other Financing Sources (Uses)	32,100
<b>NET CHANGE IN FUND BALANCE</b>	1,393,974
Fund Balance - Beginning of Year	4,893,200
<b>FUND BALANCE - END OF YEAR</b>	\$ 6,287,174

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balance - Governmental Fund \$ 1,393,974

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

Governmental funds report capital outlay as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense. This is the amount by which  
depreciation expense and the net book value of disposed assets exceeded capital  
outlay in the current period. (67,300)

The issuance of long-term debt (leases) provides current financial  
resources to governmental funds, while the repayment of the principal of long-term debt  
consumes the current financial resources of governmental funds. Neither transaction  
however, has any effect on net position. This is the amount by which repayments  
exceeded proceeds: 41,393

Compensated absences are not uses of financial resources in  
governmental activities and are therefore not reported in the fund. However,  
in the statement of activities, these costs are reported as expenses.  
This is the amount of these expenses in the current period 105,708

Change in Net Position \$ 1,473,775

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1 REPORTING ENTITY**

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

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

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

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

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES**

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

**Basic Financial Statements, Measurement Focus, and Basis of Accounting**

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

**Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Health District adopted the requirements of the guidance effective January 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Health District reporting a right-to-use asset and lease liability disclosed in Note 5 and 7, respectively, and also resulted in the Health District reporting a lease receivable as disclosed in Note 4.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Cash and Investments**

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

**Patient Receivable and Credit Policy**

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

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

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

The Health District's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from December 31, 2021 to December 31, 2022. The Health District does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write offs from third-party payors.

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Property Tax Receivable**

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

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

**Other Receivables**

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

**Prepaid Items**

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

**Capital Assets**

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

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Leases**

**Lessee**

The Health District is a lessee for a noncancellable lease of office space. The Health District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the applicable governmental activities in the government-wide financial statements. The Health District recognizes lease liabilities with an initial, individual value of \$2,500.

At the commencement of a lease, the Health District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Health District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Health District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Health District uses the incremental borrowing rate as determined by management based on local commercial real estate loans available for tax exempt organizations.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Health District is reasonably certain to exercise.

The Health District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**Lessor**

The Health District is a lessor for noncancellable leases of buildings. The Health District recognizes a lease receivable and a deferred inflow of resources in the applicable governmental activities in the government-wide and in the governmental fund financial statements.

At the commencement of a lease, the Health District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

Key estimates and judgments include how the Health District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Health District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Health District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Compensated Absences**

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

**Deferred Inflows of Resources**

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows of Resources (Continued)**

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

**Net Position**

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

**Fund Balance**

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

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

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

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

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

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Net Medical/Dental Service Revenue**

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

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

For the year ended December 31, 2022, approximately 78.1%, 21.7%, and 0.2% of net dental service revenue from third-party payors was received from Medicaid, other governments, and other third-party providers, respectively.

**Grants**

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

**Insurance Pool**

In 1996, the Health District transferred its property and liability insurance to Colorado Special Districts Insurance Pool. As a requirement of this Pool, the Health District placed into an Insurance Surplus Contribution Fund a specified amount (\$5,132) of cash. This surplus is subject to future insurance needs or a refund to the Health District if there are excess funds in the future. The Colorado Special District Property & Liability Pool (CSDPLP) was made up of 1,955 members who are local governments. It is an organization created by an inter-government agreement in 1988 solely to provide property and casualty coverage to its members. Coverage is provided through pooling of self-insured losses and the purchase of stop-loss insurance coverage. A seven-member board elected by and from its members governs CSDPLP. The governing board is autonomous as to budgeting and fiscal matters.

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates in the Preparation of Financial Statements**

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

**NOTE 3 CASH AND INVESTMENTS**

**Cash**

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

At December 31, 2022, the Health District's carrying amount of deposits was \$509,047 and the bank balance was \$607,628. Cash balances may be transferred overnight in order to maximize interest income. The Health District also had petty cash balances amounting to \$1,425 at December 31, 2022.

**Investments**

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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

- Nonnegotiable certificates of deposit investments valued at amortized cost with average maturities of approximately eleven months. These certificates of deposits had a value of \$1,025,663 at December 31, 2022.
- The Health District participates in a local government investment pool, ColoTrust, an SEC-registered investment pool. The investment pool operates similarly to a money market fund; each share is equal in value to \$1.00. The investment in ColoTrust is measured at Net Asset Value. ColoTrust has a daily redemption frequency period and a one-day redemption notice period. At December 31, 2022, the Health District had \$5,392,212 invested in ColoTrust.

**Interest Rate Risk**

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

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

**Credit Risk**

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

**Custodial Credit Risk**

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

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

**NOTE 4 LEASE RECEIVABLES**

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

In 2012, PVHCI/PVHS entered into a joint operating agreement with the University of Colorado Hospital Authority, creating a combined health system called University of Colorado Health, at which time the lease arrangement was amended. The lease includes a 3% annual increase, expires April 2062 and is cancelable only upon mutual agreement of both parties, default, or other terms of the revised lease. During the year ended December 31, 2022, the Health District recognized \$458,050 and \$1,171,369 in lease revenue and interest revenue, respectively, pursuant to this contract.

The Health District, acting as a lessor, also leases building office space under long-term, noncancelable lease agreements. The leases expire at various dates through 2025. During the year ended December 31, 2022, the Health District recognized \$81,464 and \$5,121 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2023	\$ 246,483
2024	230,977
2025	233,115
2026	222,691
2027	267,133
2028-2032	2,120,156
2033-2037	3,651,463
2038-2042	5,549,620
2043-2047	7,885,762
2048-2052	10,748,166
2053-2057	14,233,111
2058-2061	14,387,637
Total Minimum Lease Payments	<u>\$ 59,776,314</u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 4,592,595	\$ -	\$ -	\$ 4,592,595
Construction in Progress	34,902	160,206	-	195,108
Total Capital Assets, Not Being Depreciated	4,627,497	160,206	-	4,787,703
Capital Assets Being Depreciated:				
Building	7,154,579	-	-	7,154,579
Building Improvements	16,667	-	-	16,667
Right-to-Use Lease Building	44,896	-	-	44,896
Equipment	1,240,099	67,467	(133,616)	1,173,950
Total Capital Assets Being Depreciated	8,456,241	67,467	(133,616)	8,390,092
Less Accumulated Depreciation/Amortization				
Building	(2,075,103)	(178,326)	-	(2,253,429)
Building Improvements	(16,667)	-	-	(16,667)
Right-to-Use Lease Building	-	(44,896)	-	(44,896)
Equipment	(1,060,016)	(68,811)	130,676	(998,151)
Total Accumulated Depreciation/Amortization	(3,151,786)	(292,033)	130,676	(3,313,143)
Total Capital Assets, Being Depreciated, Net	5,304,455	(224,566)	(2,940)	5,076,949
Governmental Activities Capital Assets, Net	<u>\$ 9,931,952</u>	<u>\$ (64,360)</u>	<u>\$ (2,940)</u>	<u>\$ 9,864,652</u>

\*As a result of implementation of GASB Statement No. 87 (GASB 87), *Leases*, as of January 1, 2022, \$44,896 was added to the beginning balance presented above for right to use building. As the adjustment to the beginning balance for these assets is offset by an equal amount of liabilities, the Health District does not report a restatement of beginning net position for the implementation of GASB 87.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation/amortization expense for the year ended December 31, 2022, was charged to functional programs as follows:

Dental Services	\$	85,412
MH/SA/Primary Care		24,858
Connections		48,250
Health Care Access		74,198
Health Promotion		18,577
Community Impact		17,003
General Government		14,306
Assessment, Research, and Evaluation		5,158
Resource Development		4,271
Total		<u><u>\$ 292,033</u></u>

**NOTE 6 LONG-TERM LIABILITIES**

A summary of the changes in long-term liabilities for the year ended December 31, 2022 are as follows:

	<u>January 1, Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Lease Liability	\$ 44,896	\$ -	\$ 41,393	\$ 3,503	\$ 3,503
Compensated Absences	491,954	590,584	696,292	386,246	365,726
Total Long-Term Obligations	<u><u>\$ 536,850</u></u>	<u><u>\$ 590,584</u></u>	<u><u>\$ 737,685</u></u>	<u><u>\$ 389,749</u></u>	<u><u>\$ 369,229</u></u>

As a result of implementation of GASB Statement No. 87 (GASB 87), *Leases*, as of January 1, 2022, \$44,896 was added to the beginning balance presented above for lease payables. As the adjustment to the beginning balance for these liabilities is offset by an equal amount of assets, the Health District does not report a restatement of beginning net position for the implementation of GASB 87.

**NOTE 7 LEASE LIABILITY**

The Health District leases office space under a noncancelable agreement that expires January 2023. The total future minimum lease payments for the lease is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2023	<u>\$ 3,503</u>
Total Minimum Lease Payments	<u><u>\$ 3,503</u></u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 8 EMPLOYEE RETIREMENT PLANS**

**Money Purchase Plan**

The Health District offers its employees a defined contribution money purchase plan administered by Nationwide Financial Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The plan requires both employer and employees to contribute amounts of 5% and 3%, respectively, of the base salary each pay period. Contributions made by the Health District are not taxable to the employee until they are withdrawn. Employee contributions are made with pre-tax dollars, and the earnings on the Health District and employee contributions are not taxed until withdrawn. Employees are fully vested in the plan upon completion of two years of service. The Health District contributions to the plan were \$345,556 for the year ended December 31, 2022. Covered payroll was \$6,872,326 for the year ended December 31, 2022.

**Deferred Compensation Plan**

The Health District established a deferred compensation plan in accordance with Internal Revenue Code Section 457 in 1994. All fees are paid by participants, and there is no employer contribution. The funds are invested and administered by an independent third party. The Health District had 34 employees participate during 2022.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Hospital Lease Agreement**

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

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

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Revenue Limitations and Restrictions of Fund Balance**

The state of Colorado enacted a constitutional amendment (the TABOR amendment) effective December 31, 1992, to limit increases in government revenues. The limitation generally restricts growth in revenue of a governmental entity to a base amount plus increases for growth and inflation. In addition, the amendment requires government entities to create an emergency “reserve” of 3% of annual spending excluding bonded debt service. In November 2000, voter approval was given to the Health District to remove the restriction on growth in revenue. At December 31, 2022, the Health District has complied with the requirements to include emergency reserves in its budgetary-basis fund balance.

**NOTE 10 RISK MANAGEMENT**

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

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Health District is a member of the Colorado Employer Benefit Trust (CEBT), which provides the Health District with health, life, and vision insurance coverage. The deputy director of the Health District serves as a member on the board of trustees of CEBT. The Health District paid \$1,033,871 to CEBT during the year ended December 31, 2022. The deputy director also serves on the board of directors for the Colorado Special Districts Property and Liability Pool, which provides the Health District with insurance services. The Health District paid approximately \$69,597 to the Colorado Special Districts Property and Liability Pool during the year ended December 31, 2022.

**NOTE 12 TAX ABATEMENTS**

The Health District does not directly abate taxes. However, for the year ended December 31, 2022 the Health District’s property tax revenues were reduced by \$493,975 under various tax increment financing agreements entered into by the City of Fort Collins and Town of Timnath.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL – GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variances Over (Under)
<b>REVENUE</b>			
Property and Specific Ownership Taxes	\$ 9,325,765	\$ 9,343,693	\$ 17,928
Lease Income	1,219,076	1,802,669	583,593
Investment Earnings	65,000	122,785	57,785
Net Charges for Services	1,115,294	1,047,583	(67,711)
Grants and Partnerships	1,274,586	664,487	(610,099)
Miscellaneous Income	23,004	26,085	3,081
Total Revenue	<u>13,022,725</u>	<u>13,007,302</u>	<u>(15,423)</u>
<b>EXPENDITURES</b>			
Current:			
General Government	1,209,415	1,054,868	154,547
Program Operations:			
Dental Services	3,894,293	3,182,106	712,187
MH/SA/Primary Care	1,275,292	1,091,051	184,241
Health Promotion	854,448	772,353	82,095
Community Impact	757,422	589,163	168,259
Connections: Mental Health			
Substance Use Issues Services	2,339,007	1,862,179	476,828
Grants, Partnerships and			
Special Projects	4,385,168	1,459,388	2,925,780
Assessment, Research and Evaluation	269,530	244,780	24,750
Resource Development	195,262	149,775	45,487
Health Care Access	1,312,744	970,042	342,702
Total Current Expenditures	<u>16,492,582</u>	<u>11,375,705</u>	<u>5,116,876</u>
Capital Outlay	1,290,987	227,673	1,063,314
Debt Service - Principal	-	41,393	(41,393)
Debt Service - Interest	-	657	(657)
Contingency	422,098	-	422,098
Total Expenditures	<u>18,205,667</u>	<u>11,645,428</u>	<u>6,560,238</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Capital Asset	-	32,100	32,100
Total Other Financing Sources (Uses)	<u>-</u>	<u>32,100</u>	<u>32,100</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,182,942)	1,393,974	(6,543,561)
Fund Balance - Beginning of Year	<u>6,929,112</u>	<u>4,893,200</u>	<u>(2,035,912)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,746,170</u>	<u>\$ 6,287,174</u>	<u>\$ (8,579,473)</u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

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

The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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



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