

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025



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**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
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YEAR ENDED DECEMBER 31, 2025**

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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 financial statements of the governmental activities and the major fund of the Health Services District of Northern Larimer County as of and for the year ended December 31, 2025, 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 accompanying 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, 2025, 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.

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.

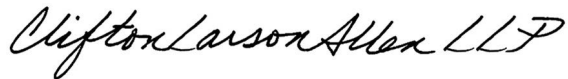
In performing an audit in accordance with GAAS, we:

- 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Denver, Colorado
May 12, 2026

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

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, 2025, 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 \$23,507,797 an increase of \$2,197,980 over the prior year.
- As of the close of the fiscal year, the Health District's governmental fund balance totaled \$13,630,083 an increase of \$2,240,019 over the prior year. Approximately 42% of this amount (\$5,690,172) is available at the Health District's discretion (unassigned).
- Approximately \$13 million of the revenues received in 2025 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, 2025**

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 \$23,507,797 at the close of the most recent fiscal year.

Cash and investments represent 15% 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 11% of the Health District's total assets reflect investment in capital assets (e.g. land, buildings, medical equipment, dental equipment, subscription-based information technology arrangements (SBITA) 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, 2025**

The Health District reports a lease receivable as disclosed in Note 4. As of December 31, 2025, the lease receivable was \$59,358,495 or 62% of total 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

	2025	2024	Dollar Change	Percent Change
Current and Other Assets	\$ 85,560,703	\$ 82,693,221	\$ 2,867,482	3.47%
Capital Assets	10,198,336	9,936,025	262,311	2.64%
Total Assets	<u>95,759,039</u>	<u>92,629,246</u>	<u>3,129,793</u>	<u>3.38%</u>
Current Liabilities	1,410,581	1,183,412	227,169	19.20%
Noncurrent Liabilities	3,871	59,849	(55,978)	-93.53%
Total Liabilities	<u>1,414,452</u>	<u>1,243,261</u>	<u>171,191</u>	<u>13.77%</u>
Deferred Inflows of Resources	<u>70,836,790</u>	<u>70,076,168</u>	<u>760,622</u>	<u>1.09%</u>
Total Net Position	<u><u>\$ 23,507,797</u></u>	<u><u>\$ 21,309,817</u></u>	<u><u>\$ 2,197,980</u></u>	<u><u>10.31%</u></u>

Net position consists of the following components:

	2025	2024	Dollar Change	Percent Change
Net Investment in Capital Assets	\$ 10,122,015	\$ 9,818,491	\$ 303,524	3.09%
Restricted	467,019	470,801	(3,782)	-0.80%
Unrestricted	12,918,763	11,020,525	1,898,238	17.22%

A portion of the Health District's net position of \$467,019 represents resources that are subject to external restrictions (TABOR reserve). The balance of unrestricted net position of \$12,918,763 may be used to meet the Health District's obligations to citizens and creditors.

The unassigned fund balance of \$10,754,419 presented in the governmental fund balance sheet on page 14 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, 2025**

Table A-2
Condensed Statement of Activities

	2025	2024	Dollar Change	Percent Change
REVENUES				
Program Revenues:				
Net Charges for Services	\$ 1,116,452	\$ 1,305,822	\$ (189,370)	-14.50%
Operating Grants and Contributions	455,356	1,453,739	(998,383)	-68.68%
General Revenues:				
Property and Specific				
Ownership Tax	11,438,271	11,354,262	84,009	0.74%
Lease Revenue	1,576,183	1,546,332	29,851	1.93%
Other Revenue	630,443	652,037	(21,594)	-3.31%
Total Revenues	<u>15,216,705</u>	<u>16,312,192</u>	<u>(1,095,487)</u>	<u>-6.72%</u>
EXPENSES				
Administrative and General	3,608,448	1,807,143	1,801,305	99.68%
Client Experience	6,696,918	8,571,433	(1,874,515)	-21.87%
Strategy and Impact	<u>2,713,360</u>	<u>2,134,632</u>	<u>578,728</u>	<u>27.11%</u>
Total Expenses	<u>13,018,725</u>	<u>12,513,208</u>	<u>505,517</u>	<u>4.04%</u>
CHANGE IN NET POSITION	2,197,980	3,798,984	(1,601,004)	
Net Position - Beginning of Year	<u>21,309,817</u>	<u>17,510,833</u>	<u>3,798,984</u>	<u>21.70%</u>
NET POSITION - END OF YEAR	<u><u>\$ 23,507,797</u></u>	<u><u>\$ 21,309,817</u></u>	<u><u>\$ 2,197,980</u></u>	<u><u>10.31%</u></u>

The Health District's net position increased by \$2,197,980 during the current fiscal year.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

Revenues

Property and specific ownership taxes accounts for 73% of the Health District's revenue. The amount of revenue from property taxes is driven by the assessed valuation of the taxable properties within the Health District boundaries and by the voter approved mill levy for the Health District. Lease revenue accounts for 10% of the Health District's revenue and the remaining 17% comes from net program fees for services provided, grants, contributions, and investment income.

Significant changes in revenue include the following:

Charges for services increased 71% (\$631,622) over the previous year due to 2024 Medicaid claims that were not available or billed until 2025.

Investment earnings increased 44% (\$190,079) over the previous year due to higher interest rates and increased capital to invest.

Grants and partnerships decreased 69% (\$998,393) over the previous year due to state property tax backfill revenue.

Expenses

The Health District's direct expenditures were approximately 10% (\$1,543,314) less than budgeted.

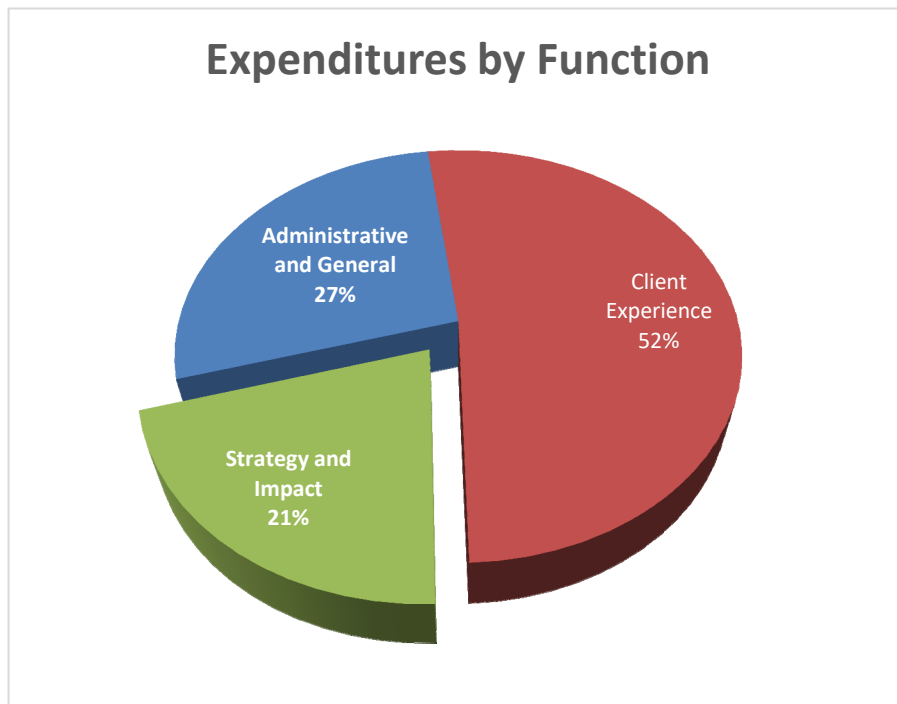
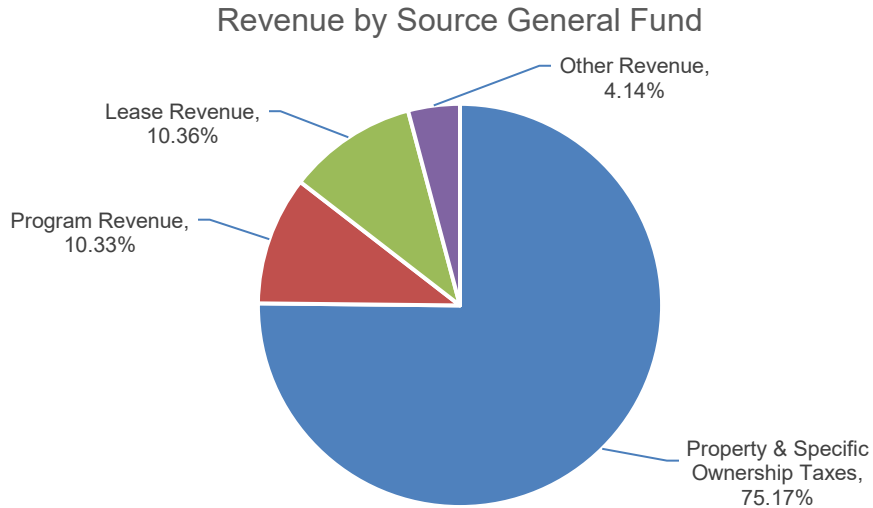
While expenses were less than budgeted overall, there were notable fluctuations by category. Personal Compensation was below budget by 24% (\$2,453,389) due to staffing vacancies. Partnership Funding was below budget by 19% (\$145,382) due to a partner that was unable to fill a staff position that was contractually required to receive funds. Professional Development, Service Expenses, and Supplies, Equipment, & Software were less than budget by a combined \$195,159.

In contrast, Contracted Services exceeded budgeted amounts by 25% (\$357,525) due to compensating for unfilled staff positions with consultants to meet service and operational needs. Capital Outlay was over budget in its entirety (\$707,640) due to a budgeting oversight (this was corrected in the 2026 budget). Occupancy and Other Operating Expenses also exceeded budget by \$162,736, largely a result of underestimated election expenditures.

The Expenditures by Function chart appears to indicate a significant increase in Administrative & General expenses at 27% compared to 15% from the prior year, this is due to a change in allocation practices. Before 2025, administrative salaries were allocated across program functions, this practice was changed to more accurately represent the actual cost of operating each program. Administrative expenses have actually declined, largely due to reduced administrative staff and operational efficiencies.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

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, 2025**

Budgetary Highlights

The Health District adopts annual Operations and Capital budgets outlining the estimated expenditures 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.

The Health District saw an increase of \$2.2 million to its Governmental Fund Balance in 2025, rather than the planned decrease of \$69,977. Due to accurate forecasting during the year, the District was able to react to this increase during the creation of the 2026 budget, using most of the funds to increase its strategic outreach to the community it serves in support of the Board of Directors prioritized directions.

Revenue budgeting for 2025 focused on known income streams to avoid unnecessary budgetary misses on unverified sources. While this led to a more accurate budget for Tax Revenues, Service Revenues, and Contributions, an overly conservative approach in Lease Revenues and Investment Earnings resulted in a positive variance of 5% (\$743,965).

The 2025 Expenditure budget also aimed at increased accuracy through reduced contingencies and more closely mirroring prior year projections. This strategy proved effective in most areas, reducing the expenditure variance from 27% (\$4.6 million) in 2024, to 10% (\$1.5 million) in 2025. However, unexpected staffing turnover resulted in a large variance in Personnel Compensation expenditures that was not reallocated.

A comparison of 2025 budget to actual revenue and expenditures can be found on page 33.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2025, the Health District's investment in capital assets totaled \$10.2 million (net of accumulated depreciation and amortization). This investment in capital assets includes buildings, construction in process improvements, renovations, dental equipment, office equipment, subscription assets and computer software.

During 2025, \$660,277 was expended on capital assets. These capital expenditures include equipment, building, construction in progress, and subscription assets. See Note 5.

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

	2025	2024
Land	\$ 4,592,595	\$ 4,592,595
Construction in Progress	147,595	18,721
Buildings and Building Improvements	4,778,537	4,811,589
Subscription Asset	137,482	179,966
Equipment	542,127	333,154
	<u>\$ 10,198,336</u>	<u>\$ 9,936,025</u>
Net Capital Assets	<u>\$ 10,198,336</u>	<u>\$ 9,936,025</u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

Debt Administration

The Health District reports a subscription liability, see Note 6 and Note 7 for additional information. Additional information on the Health District's contingent obligations can be found in Note 9 to the financial statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

Economic Factors and Next Year's Budget

The 2026 annual budget includes about \$15.6 million in revenue, \$17.5 million in expenses, and a \$500,000 contingency. An increase to the 2025 budgeted \$14.9 million in revenues and expenses. The expenditure increase was intentionally and strategically calculated to align with the Health Districts priorities and planned initiatives during the year 2026.

The Health District's largest source of revenue is local property tax dollars. Property tax funds are calculated based on the Certificate of Valuation report that taxing authorities receive from the county assessor, therefore year-over-year changes are a direct result of increased or decreased property values.

The notable decline in budgeted Services Revenues is in response to Medicaid billing challenges in the Behavioral Health Program. Contributions were also projected to decline in response to the uncertainty of the impact that will be caused by new legislation. In contrast, the conservative approach to Lease Revenues and Investment Earnings was adjusted to actual expectations and market projections.

The District budgeted for a COLA increase to our Personnel Compensation, as well as increased employer contributions to health insurance benefits. The organization has also allocated funds to new Professional Development initiatives, increased Client and Community Assistance programs (found in Service Expenses), additional Partnership Funding, and scheduled capital improvements. Other expenditure categories were increased in response to inflation.

The Health District will monitor budget to actual performance closely throughout 2026, produce quarterly forecasts, and reallocate funds within the overall budget amount as necessary.

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: Brian Ferrans, Executive Director/CEO, Health District of Northern Larimer County 120 Bristlecone Drive, Fort Collins, CO 80524, bferrans@healthdistrict.org.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2025

ASSETS

Cash and Investments	\$ 14,401,522
Receivables:	
Patients, Net of Allowances of \$26,055	26,872
Grants Receivable and Other	54,722
Property Taxes	11,473,579
Specific Ownership Taxes	58,538
Prepaid Items	186,975
Lease Receivable - Current	342,248
Lease Receivable - Noncurrent	59,016,247
Capital Assets Not Being Depreciated:	
Land	4,592,595
Construction in Progress	147,595
Capital Assets, Net of Accumulated Depreciation and Amortization:	
Buildings and Building Improvements	4,778,537
Subscription Asset	137,482
Equipment	542,127
Total Assets	<u>95,759,039</u>

LIABILITIES

Accounts Payable	623,259
Accrued Payroll and Payroll Taxes	298,372
Deposits	19,157
Accrued Liabilities	77,515
Unearned Revenue:	
Grants and Partnerships	59,531
Long-Term Liabilities:	
Subscription Liability - Due Within One Year	72,450
Subscription Liability - Due in More than One Year	3,871
Compensated Absences - Due Within One Year	260,297
Total Liabilities	<u>1,414,452</u>
Deferred Inflows of Resources:	
Property Taxes	11,478,295
Leases	59,358,495
Total Deferred Inflows of Resources	<u>70,836,790</u>
Net Position:	
Net Investment in Capital Assets	10,122,015
Restricted for TABOR Reserve	467,019
Unrestricted	12,918,763
Total Net Position	<u><u>\$ 23,507,797</u></u>

See accompanying Notes to Financial Statements.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenue		
	Expenses	Net Charges for Services	Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
Functions/Programs				
Governmental Activities:				
Administrative and General	\$ 3,608,448	\$ -	\$ -	\$ (3,608,448)
Client Experience	6,696,918	1,116,452	360,444	(5,220,022)
Strategy and Impact	2,713,360	-	94,912	(2,618,448)
Total Governmental Activities	<u>\$ 13,018,725</u>	<u>\$ 1,116,452</u>	<u>\$ 455,356</u>	(11,446,917)
General Revenues:				
Property and Specific				
Ownership Taxes				11,438,271
Lease Revenue				1,576,183
Investment Earnings				622,688
Other Income				7,755
Total General Revenues				<u>13,644,897</u>
CHANGE IN NET POSITION				2,197,980
Net Position - Beginning of Year				<u>21,309,817</u>
NET POSITION - END OF YEAR				<u>\$ 23,507,797</u>

See accompanying Notes to Financial Statements.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31, 2025

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 14,401,522
Receivables:	
Patients, Net of Allowances of \$26,055	26,872
Grants Receivable and Other	54,722
Property Taxes	11,473,579
Specific Ownership Taxes	58,538
Leases	59,358,495
Prepaid Items	<u>186,975</u>
Total Assets	<u><u>\$ 85,560,703</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 623,259
Accrued Payroll and Payroll Taxes	298,372
Accrued Liabilities	77,515
Deposits	19,157
Unearned Grants and Partnerships Revenue	<u>59,531</u>
Total Liabilities	1,077,834
Deferred Inflows of Resources:	
Property Taxes	11,478,295
Leases	59,358,495
Dental Services	<u>15,996</u>
Total Deferred Inflows of Resources	70,852,786
Fund Balance:	
Nonspendable - Prepaid Items	186,975
Restricted - TABOR Reserve	467,019
Assigned - Subsequent Year	7,285,917
Unassigned	<u>5,690,172</u>
Total Fund Balance	<u><u>13,630,083</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 85,560,703</u></u>

See accompanying Notes to Financial Statements.

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balance - Governmental Fund	\$ 13,630,083
Amounts reported for governmental activities in the statement of net position are different because:	
Unavailable Revenues	15,996
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	10,198,336
Long-term liabilities 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 subscription liabilities.	(76,321)
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, 2025.	<u>(260,297)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 23,507,797</u></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, 2025**

	<u>General Fund</u>
REVENUE	
Property and Specific Ownership Taxes	\$ 11,438,271
Net Charges for Services	1,518,950
Lease Income	1,576,183
Grants and Partnerships	455,356
Investment Earnings	622,688
Miscellaneous Income	<u>7,755</u>
Total Revenue	15,619,203
EXPENDITURES	
Administrative and General Government	3,507,319
Program Operations:	
Client Experience	6,513,580
Strategy and Impact	<u>2,650,645</u>
Subtotal	12,671,544
Capital Outlay	660,277
Debt Service - Principal	63,930
Debt Service - Interest	<u>6,150</u>
Total Expenditures	<u>13,401,901</u>
OTHER FINANCING SOURCES	
Proceeds - SBITAs	<u>22,717</u>
Total Other Financing Sources (Uses)	<u>22,717</u>
NET CHANGE IN FUND BALANCE	2,240,019
Fund Balance - Beginning of Year	<u>11,390,064</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 13,630,083</u></u>

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, 2025**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balance - Governmental Fund	\$ 2,240,019
Amounts reported for governmental activities in the statement of activities are different because:	
Unavailable Revenues - Dental Services	(402,498)
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.	262,311
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:	
Principal Payments on Subscriptions	63,930
Proceeds on Subscriptions	(22,717)
	<u>41,213</u>
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.	<u>56,935</u>
Change in Net Position of Governmental Activities as Reported in the Statement of Activities	<u><u>\$ 2,197,980</u></u>

See accompanying Notes to Financial Statements.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025

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.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 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, 2025

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 10th of the month following collection. All current taxes receivable are offset by the full amount of the deferred inflow of resources – property taxes. Management has determined there are no significant uncollectible amounts; therefore, property taxes receivable are reported without allowance for uncollectible accounts.

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

Other Receivables

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

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 \$5,000 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 3 to 40 years.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Leases

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.

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.

SBITAs

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. The Health District recognizes SBITA assets with an initial value of \$5,000. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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. The liability for compensated absences reported in the government-wide statements consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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.

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.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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 unrestricted. 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 year-end; 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, 2025

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, 2025, approximately 72.2% and 8.4%, of net dental service revenue from third-party payors was received from Medicaid and other governments, 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, 2025

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, 2025, the Health District's carrying amount of deposits was \$874,218 and the bank balance was \$1,018,951. Cash balances may be transferred overnight in order to maximize interest income. The Health District also had petty cash and change fund balances amounting to \$1,391 at December 31, 2025.

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, 2025

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 5 months. These certificates of deposits had a value of \$1,099,703 at December 31, 2025.
- 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, 2025, the Health District had \$12,426,210 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, 2025

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, 2025, the Health District recognized \$175,888 and \$1,166,944 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, which includes variable common area fees. The leases expire at various dates through 2028. During the year ended December 31, 2025, the Health District recognized \$114,240, 112,266, and \$6,845 in lease revenue, common area fees, 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>
2026	\$ 342,248
2027	384,670
2028	372,587
2029	369,015
2030	422,422
2031-2035	2,996,810
2036-2040	4,740,989
2041-2045	6,894,448
2046-2050	9,535,260
2051-2055	12,756,571
2056-2060	16,670,260
2061-2062	3,873,215
Total Minimum Lease Payments	<u>\$ 59,358,495</u>

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 4,592,595	\$ -	\$ -	\$ -	\$ 4,592,595
Construction in Progress	18,721	280,625	(151,751)	-	147,595
Total Capital Assets, Not Being Depreciated	4,611,316	280,625	(151,751)	-	4,740,190
Capital Assets Being Depreciated:					
Building	7,600,247	104,944	-	-	7,705,191
Building Improvements	16,667	-	-	-	16,667
Subscription Asset	288,490	24,337	-	(107,746)	205,081
Equipment	1,249,415	250,371	151,751	-	1,651,537
Total Capital Assets Being Depreciated	9,154,819	379,652	151,751	(107,746)	9,578,476
Less Accumulated Depreciation/Amortization:					
Building	(2,691,343)	(235,311)	-	-	(2,926,654)
Building Improvements	(16,667)	-	-	-	(16,667)
Subscription Asset	(108,524)	(66,821)	-	107,746	(67,599)
Equipment	(1,013,576)	(95,834)	-	-	(1,109,410)
Total Accumulated Depreciation/Amortization	(3,830,110)	(397,966)	-	107,746	(4,120,330)
Total Capital Assets, Being Depreciated, Net	5,324,709	(18,314)	151,751	-	5,458,146
Governmental Activities Capital Assets, Net	<u>\$ 9,936,025</u>	<u>\$ 262,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,198,336</u>

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense for the year ended December 31, 2025, was charged to functional programs as follows:

Administrative and General Government	\$ 110,835
Client Experience	213,946
Strategy and Impact	73,185
Total	<u>\$ 397,966</u>

NOTE 6 LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2025 is as follows:

	January 1, Balance	Additions	Reductions	December 31, Balance	Due Within One Year
Governmental Activities:					
Subscription Liability	\$ 117,534	\$ 22,717	\$ 63,930	\$ 76,321	\$ 72,450
Compensated Absences	317,232	-	56,935	260,297	260,297
Total Long-Term Obligations	<u>\$ 434,766</u>	<u>\$ 22,717</u>	<u>\$ 120,865</u>	<u>\$ 336,618</u>	<u>\$ 332,747</u>

The change in compensated absence liability is presented as a net change.

NOTE 7 SUBSCRIPTION LIABILITY

The Health District subscribes to various software under a noncancelable agreements for which the right to use the software expires in November 2027. The total future minimum subscription payments for the subscriptions are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2026	\$ 72,450
2027	3,871
Total Minimum Subscription Payments	<u>\$ 76,321</u>

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 \$306,277 for the year ended December 31, 2025. Covered payroll was \$6,318,689 for the year ended December 31, 2025.

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 33 employees participate during 2025.

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 UCHHealth, 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 UCHHealth; and 2) early termination of the Joint Operating Agreement between PVHCI/PVHS, UCHA, and UCHHealth. 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 UCHHealth, executed in January 2012.

HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025, 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 Director of People and Business Operations of the Health District serves as a member on the board of trustees of CEBT. The Health District paid \$975,877 to CEBT during the year ended December 31, 2025.

NOTE 12 TAX ABATEMENTS

The Health District does not directly abate taxes. However, for the year ended December 31, 2025, the Health District’s property tax revenues were reduced by \$637,420 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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variances Over (Under)
REVENUE			
Property and Specific Ownership Taxes	\$ 11,361,432	\$ 11,438,271	\$ 76,839
Lease Revenue	1,304,044	1,576,183	272,139
Investment Earnings	332,964	622,688	289,724
Net Charges for Services	1,507,250	1,518,950	11,700
Grants and Partnerships	349,548	455,356	105,808
Miscellaneous Income	20,000	7,755	(12,245)
Total Revenue	<u>14,875,238</u>	<u>15,619,203</u>	<u>743,965</u>
EXPENDITURES			
Current:			
Administrative and General	3,176,507	3,507,319	(330,812)
Program Operations:			
Client Experience	8,173,924	6,513,580	1,660,344
Strategy and Impact	<u>3,594,784</u>	<u>2,650,645</u>	<u>944,139</u>
Total Current Expenditures	<u>14,945,215</u>	<u>12,671,544</u>	<u>2,273,671</u>
Capital Outlay	-	660,277	(660,277)
Debt Service - Principal	-	63,930	(63,930)
Debt Service - Interest	-	6,150	(6,150)
Total Expenditures	<u>14,945,215</u>	<u>13,401,901</u>	<u>1,543,314</u>
OTHER FINANCING SOURCES (USES)			
Proceeds - SBITAs	-	22,717	22,717
Total Other Financing Sources (Uses)	<u>-</u>	<u>22,717</u>	<u>22,717</u>
NET CHANGE IN FUND BALANCE	(69,977)	2,240,019	2,309,996
Fund Balance - Beginning of Year	<u>9,240,047</u>	<u>11,390,064</u>	<u>2,150,017</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,170,070</u>	<u>\$ 13,630,083</u>	<u>\$ 4,460,013</u>

**HEALTH SERVICES DISTRICT OF NORTHERN LARIMER COUNTY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025**

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.

