

Highland Rescue Team Ambulance District

Annual Financial Report

December 31, 2017 and 2016

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Highland Rescue Team Ambulance District Management's Discussion and Analysis December 31, 2017

Within this section of the Highland Rescue Team Ambulance District's (District) financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2017. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the District's primary government.

FINANCIAL HIGHLIGHTS

- The District's assets exceed liabilities by \$1,293,519 (net position) at December 31, 2017. This compares to the previous year when assets exceeded liabilities by \$1,422,125.
- Total net position is comprised of the following:
 - Capital assets of \$921,905 include property and equipment net of accumulated depreciation.
 - Net position of \$15,249 is restricted by constraints imposed from outside the District.
 - Unrestricted net position of \$356,365 represents the portion available to maintain the District's continuing obligations to citizens and creditors.
- Total revenue decreased by \$50,038 compared to the year ended December 31, 2016.
- Total expenses decreased by \$16,739 compared to the year ended December 31, 2016.

Overview of the Basic Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The District's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, (3) notes to basic financial statements and (4) required supplementary information. The District also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The District's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net position*. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the District's capital assets in addition to the financial information provided in this report.

Highland Rescue Team Ambulance District Management's Discussion and Analysis December 31, 2017

The second government-wide statement is the *Statement of Activities*, which reports how the District's net position has changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by intergovernmental contributions.

Both government-wide financial statements distinctively report governmental activities of the District that are principally supported by intergovernmental contributions. Governmental activities include general government, fire suppression, fire prevention and training, communications and vehicles and equipment operations. Fiduciary activities such as employee and volunteer pension plans are not included in the government-wide statements since these assets are not available to fund District programs.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special purpose governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The basic financial statements of the District are presented as a special purpose government engaged only in governmental type activities providing fire protection services to District residents.

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinct view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. This comparison demonstrates compliance with the District's adopted and final amended budget.

Notes to Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Highland Rescue Team Ambulance District
Management's Discussion and Analysis
December 31, 2017**

Other Supplementary Information and Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents *Other Supplementary Information* which includes a Summary of Assessed Valuation, Mill Levy and Property Taxes Collected.

Financial Analysis of the District as a Whole

Financial Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial health. In the case of the District, assets exceeded liabilities by \$1,293,519 for the year ended December 31, 2017.

The largest portion of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the changes in the District's Net Position at December 31, 2017.

Summary of Statements of Net Position

| | 2017 | 2016 | Change |
|----------------------------------|---------------------|---------------------|---------------------|
| Assets | | | |
| Current assets | \$ 1,025,125 | \$ 946,033 | \$ 79,092 |
| Capital Assets, net | 921,905 | 1,064,454 | (142,549) |
| Total Assets | <u>1,947,030</u> | <u>2,010,487</u> | <u>(63,457)</u> |
| Liabilities | | | |
| Current liabilities | 15,580 | 15,086 | 494 |
| Deferred property tax revenue | 337,931 | 309,722 | 28,209 |
| Non-current liabilities | 300,000 | 263,554 | 36,446 |
| Total Liabilities | <u>653,511</u> | <u>588,362</u> | <u>65,149</u> |
| Net Position | | | |
| Net investment in capital assets | 921,905 | 1,064,454 | (142,549) |
| Restricted for emergencies | 15,249 | 21,000 | (5,751) |
| Unrestricted | 356,365 | 336,671 | 19,694 |
| Total Net Position | <u>\$ 1,293,519</u> | <u>\$ 1,422,125</u> | <u>\$ (128,606)</u> |

**Highland Rescue Team Ambulance District
Management's Discussion and Analysis
December 31, 2017**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities for the years ended December 31, 2017 and 2016 by \$1,293,519 and \$1,422,125, respectively.

The largest portion of the District's net position reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Results of Operations

The following table shows the changes in the District's Net Position during the year.

Summary of Statements of Activities

| Revenues | 2017 | 2016 | Change |
|---|---------------------------|---------------------------|----------------------------|
| Program revenue | | | |
| Charges for services, net | \$ 160,920 | \$ 118,822 | \$ 42,098 |
| Operating grants and contributions | 3,548 | 114,690 | (111,142) |
| General revenue | | | |
| Property tax | 308,010 | 308,198 | (188) |
| Specific Ownership Taxes | 30,262 | 24,882 | 5,380 |
| Investment earnings | 5,145 | 2,678 | 2,467 |
| Other income | <u>14,344</u> | <u>2,997</u> | <u>11,347</u> |
| Total revenue | 522,229 | 572,267 | (50,038) |
| Expenses | | | |
| Ambulance service | <u>650,835</u> | <u>667,574</u> | <u>(16,739)</u> |
| Total expenses | 650,835 | 667,574 | (16,739) |
| Change in Net Position | (128,606) | (95,307) | (33,299) |
| Net Position - Beginning of Year | <u>1,422,125</u> | <u>1,517,432</u> | <u>(95,307)</u> |
| Net Position - End of Year | <u><u>\$1,293,519</u></u> | <u><u>\$1,422,125</u></u> | <u><u>\$ (128,606)</u></u> |

Revenue:

Overall revenue decreased for the year ending December 31, 2017 by \$50,038 compared to the prior year. The District received less grant funds of approximately \$111,142 during 2017. However, this was partially offset by an increase in "net" ambulance call response and transport revenue of approximately \$42,098. This revenue increase is due in part to an evaluation and write off of uncollectable accounts receivable that took place in 2016.

**Highland Rescue Team Ambulance District
Management's Discussion and Analysis
December 31, 2017**

Expenses:

District ambulance expenses stayed consistent with the prior year and decreased slightly by \$16,739.

Capital Assets

The District's investment in capital assets at December 31, 2017 amounts to \$921,905 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, apparatus, equipment and furnishings. An analysis of changes in capital assets is as follows:

| Capital Assets December 31, 2017 and 2016 | | | | |
|--|-------------|--------------|-----------------|------------------------------|
| | 2017 | 2016 | Variance | Percentage Change |
| Ambulances | \$ 385,930 | \$ 385,930 | \$ - | 0.00% |
| Medical equipment | 201,351 | 201,351 | - | 0.00% |
| Station furniture and equipment | 67,165 | 64,017 | 3,148 | 4.92% |
| Other response equipment | 324,341 | 324,135 | 206 | 0.06% |
| Buildings and improvements | 853,281 | 853,281 | - | 0.00% |
| Total capital assets | 1,832,068 | 1,828,714 | 3,354 | |
| Less: accumulated depreciation | (910,163) | (764,260) | (145,903) | |
| Capital assets, net of accumulated depreciation | \$ 921,905 | \$ 1,064,454 | \$ (142,549) | |

Significant capital additions purchased and assets retired during the year include the following:

Additions:

Furniture and equipment was purchased during the year for use in the station.

Retirements:

There were no significant retirements during the year.

Additional information on the District's capital assets can be found in Note 6 of this report.

Long-term Obligations

At the end of the current year, the District had no capital leases, no long-term debt, and no authorized unissued indebtedness.

The net liability for the District Length of Service Award Program, established in 2009, increased by approximately \$36,446.

**Highland Rescue Team Ambulance District
Management's Discussion and Analysis
December 31, 2017**

Budgetary Highlights

The District's annual budget is prepared according to Colorado law and it is based on accounting for certain transactions on a basis of cash receipts and disbursements.

The total revenue of the District was less than budgeted revenues by \$50,647. The total actual expenditures of the District were less than budgeted by \$64,590.

Additional information on the District's detailed Budget for the General fund can be found in page 16 of this report.

Economic Factors and Next Year's Budget

- Property taxes are budgeted for approximately \$337,931 which is a slight increase when compared to 2017.
- Total revenues including net fees for services and taxes are budgeted for approximately \$559,084.
- Total expenditures are budgeted for approximately \$556,938, including capital outlay of \$750 and LOSAP of \$50,000.

Request for Information

This report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to.

**Ms. Barbara DeBoer
District Administrator
Highland Rescue Team Ambulance District
317 South Lookout Mountain Road
Golden, Colorado 80401**



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

To the Board of Directors
Highland Rescue Team Ambulance District

We have audited the accompanying financial statements of the governmental activities and the major fund of Highland Rescue Team Ambulance District as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

The financial statements as of December 31, 2016, were audited by other auditors whose report dated July 11, 2017, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

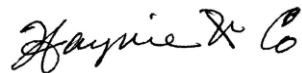
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Highland Rescue Team Ambulance District as of December 31, 2017 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highland Rescue Team Ambulance District's financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
July 27, 2018

Basic Financial Statements

Highland Rescue Team Ambulance District
Statement of Net Position
December 31, 2017 and 2016

| Assets | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | | |
| Unrestricted | \$ 343,552 | \$ 234,756 |
| Restricted | 254,784 | 222,009 |
| Accounts receivable, net of allowance for doubtful accounts of \$37,300 and \$95,106 as of December 31, 2017 and 2016, respectively | 78,774 | 170,653 |
| Prepaid expenses | 7,768 | 6,804 |
| Amounts due from Jefferson County | 2,316 | 2,089 |
| Property taxes receivable | 337,931 | 309,722 |
| Capital assets being depreciated, net | <u>921,905</u> | <u>1,064,454</u> |
| Total assets | <u>\$ 1,947,030</u> | <u>\$ 2,010,487</u> |
| Liabilities | | |
| Accounts payable and accrued payroll liabilities | \$ 15,580 | \$ 15,086 |
| Accrued LOSAP liability | <u>300,000</u> | <u>263,554</u> |
| Total liabilities | <u>315,580</u> | <u>278,640</u> |
| Deferred Inflows of Resources | | |
| Deferred property tax revenue | <u>337,931</u> | <u>309,722</u> |
| Total deferred inflows of resources | <u>337,931</u> | <u>309,722</u> |
| Net Position | | |
| Net investment in capital assets | 921,905 | 1,064,454 |
| Restricted for emergencies | 15,255 | 21,000 |
| Unrestricted | <u>356,359</u> | <u>336,671</u> |
| Total net position | <u>1,293,519</u> | <u>1,422,125</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 1,947,030</u> | <u>\$ 2,010,487</u> |

The accompanying notes are an integral part of these financial statements.

Highland Rescue Team Ambulance District
Statement of Activities
For the Years Ended December 31, 2017 and 2016

| <u>Functions/Program Activities</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|---|-------------------|-----------------------------|--|--|---------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contribution</u> | <u>Governmental Activities</u> | |
| | | | | <u>2017</u> | <u>2016</u> |
| Primary Government | | | | | |
| Ambulance service | \$ 505,131 | 160,920 | 3,548 | \$ (340,663) | \$ (307,689) |
| Depreciation expense | <u>145,903</u> | <u>-</u> | <u>-</u> | <u>(145,903)</u> | <u>(126,373)</u> |
| Total governmental activities | <u>\$ 651,034</u> | <u>\$ 160,920</u> | <u>\$ 3,548</u> | <u>\$ (486,566)</u> | <u>\$ (434,062)</u> |
| General revenues: | | | | | |
| Property tax | | | | 308,209 | 308,198 |
| Specific ownership taxes | | | | 30,262 | 24,882 |
| Investment earnings | | | | 5,145 | 2,678 |
| Other income | | | | <u>14,344</u> | <u>2,997</u> |
| Total general revenues | | | | <u>357,960</u> | <u>338,755</u> |
| Change in net position | | | | (128,606) | (95,307) |
| Net position - beginning of year | | | | <u>1,422,125</u> | <u>1,517,432</u> |
| Net position - end of year | | | | <u>\$ 1,293,519</u> | <u>\$ 1,422,125</u> |

The accompanying notes are an integral part of these financial statements.

Highland Rescue Team Ambulance District
Governmental Funds Balance Sheet and
Reconciliation of the Governmental Fund Balance Sheet
with the Statement of Net Position
December 31, 2017 and 2016

| | General Fund | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Assets | | |
| Cash and cash equivalents | | |
| Unrestricted | \$ 343,552 | \$ 234,756 |
| Restricted | 254,784 | 222,009 |
| Accounts receivable, net of allowance for doubtful accounts of \$37,300 and \$95,106, respectively | 78,774 | 170,653 |
| Prepaid expenses | 7,768 | 6,804 |
| Amounts due from Jefferson County | 2,316 | 2,089 |
| Property taxes receivable | 337,931 | 309,722 |
| Total assets | <u>\$ 1,025,125</u> | <u>\$ 946,033</u> |
| Liabilities | | |
| Accounts payable and accrued payroll liabilities | 15,580 | 15,086 |
| Accrued LOSAP liability | 300,000 | 263,554 |
| Total liabilities | <u>315,580</u> | <u>278,640</u> |
| Deferred Inflows of Resources | | |
| Deferred property tax revenue | 337,931 | 309,722 |
| Total deferred inflows of resources | <u>337,931</u> | <u>309,722</u> |
| Fund Balances | | |
| Nonspendable for: | | |
| Prepaid expenses | 7,768 | 6,804 |
| Restricted for: | | |
| TABOR emergency reserves | 15,255 | 21,000 |
| Committed for: | | |
| LOSAP payments | 300,000 | 263,554 |
| Unassigned for: | | |
| General government | 48,591 | 66,313 |
| Total fund balance | <u>371,614</u> | <u>357,671</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,025,125</u> | <u>\$ 946,033</u> |
| Fund Balances - Total Governmental Funds | <u>\$ 371,614</u> | <u>\$ 357,671</u> |
| Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because: | | |
| Capital assets used in governmental activities are not current financial resources and are excluded from the funds. | | |
| Governmental capital assets | 921,905 | 1,064,454 |
| Net position of governmental activities | <u>\$ 1,293,519</u> | <u>\$ 1,422,125</u> |

The accompanying notes are an integral part of these financial statements.

Highland Rescue Team Ambulance District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

| | General Fund | |
|---|---------------------|-------------|
| | 2017 | 2016 |
| Revenues | | |
| Service revenue | \$ 354,009 | \$ 312,910 |
| Less: Allowances, fees and provisions for bad debts | (249,188) | (238,764) |
| Property taxes | 308,209 | 308,198 |
| Specific ownership tax | 30,262 | 24,882 |
| Grants | 3,548 | 114,690 |
| Team outsource | 56,099 | 44,676 |
| Investment income | 5,145 | 2,678 |
| Other income | 14,344 | 2,997 |
| Total Revenues | 522,428 | 572,267 |
| Expenditures | | |
| Operations | 285,453 | 272,753 |
| Safety and training | 8,495 | 15,422 |
| Apparatus and equipment | 28,217 | 27,782 |
| Facilities/ station | 28,114 | 32,542 |
| Administration | 109,234 | 131,852 |
| LOSAP | 45,618 | 60,850 |
| Capital outlay | 3,354 | 190,710 |
| Total Expenditures | 508,485 | 731,911 |
| Excess of Expenditures over Revenues | 13,943 | (159,644) |
| Fund balances: | | |
| Beginning of the year | 357,671 | 517,315 |
| End of the year | \$ 371,614 | \$ 357,671 |

The accompanying notes are an integral part of these financial statements.

Highland Rescue Team Ambulance District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
December 31, 2017 and 2016

| | 2017 | 2016 |
|--|---------------------|--------------------|
| Net change in fund balance—total governmental funds | \$ 13,943 | \$ (159,644) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives. | | |
| Current year depreciation | (145,903) | (126,373) |
| Capital outlay - capitalized portion | 3,354 | 190,710 |
| Change in net position of governmental activities | \$ (128,606) | \$ (95,307) |

The accompanying notes are an integral part of these financial statements.

Highland Rescue Team Ambulance District

Notes to Financial Statements

December 31, 2017 and 2016

1. Definition of Reporting Entity

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized January 1, 2005 and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Jefferson County. The District was established to provide emergency medical services for the Genesee Fire Protection District and the Foothills Fire Protection District residents. The District derives its revenue principally from service fees, property taxes, and grants.

On November 2, 2004, qualified electors in Jefferson County, Colorado approved the organization of the District effective January 1, 2005, and authorized an initial tax increase of up to \$275,000 and a mill levy of two mills. Upon organization of the District, Highland Rescue Team Ambulance Service, a not-for-profit corporation organized under Section 501(c)(4) of the Internal Revenue Code, was dissolved and the District assumed all of the assets and liabilities of Highland Rescue Team Ambulance Service.

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

The District, which is the primary government, is not considered a component unit of any other governmental unit under criteria established by Governmental Accounting Standards Board No. 14, *"The Financial Reporting Entity"* and does not engage in any Business-type activities.

2. Summary of Significant Accounting Policies

The financial statements of the Highland Rescue Team Ambulance District (District) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The most significant of the District's accounting policies are described below.

Highland Rescue Team Ambulance District

Notes to Financial Statements (continued)

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Government-wide and 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 District, excluding fiduciary activities. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Fund financial statements are provided for governmental funds. The Fund Financial Statements provide information about the District's General Fund. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The District only has one governmental fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Highland Rescue Team Ambulance District

Notes to Financial Statements (continued)

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

The District reports the following major governmental funds:

General Fund

The General Fund is the District's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. The major revenue sources are local property taxes and charges for services. Expenditures include all costs associated with the daily operations of the District.

Cash and cash equivalents

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets which include building and site improvements, ambulances and furnishings and medical equipment are reported in the government wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the fixed assets, as applicable. Depreciation expense has been computed using the straight-line method for all assets, based on the estimated useful lives of the assets, which range from 5 to 30 years.

Accounts receivable

Accounts receivable are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectable. The allowance for doubtful accounts as of December 31, 2017 and 2016 was \$37,300 and \$95,106, respectively.

Net Position and Fund Balance

In the government-wide financial statements, net position is classified in the following categories:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Position*– This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Highland Rescue Team Ambulance District

Notes to Financial Statements (continued)

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

- *Unrestricted Net Position* – This category represents the net position of the District, which are not restricted for any project or other purpose. A deficit will require future funding.

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

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

As of December 31, 2017 and 2016, the District's fund balance had \$7,768 and \$6,804, respectively in prepaid amounts that are non-spendable. Fund balance restricted by enabling legislation (for emergencies) was \$15,249 and \$21,000 for the years ended December 31, 2017 and 2016, respectively. The Board of Directors committed \$300,000 and \$263,554 for payments to employees under a Length of Service Award Program (LOSAP) for the years ended December 31, 2017 and 2016.

Highland Rescue Team Ambulance District

Notes to Financial Statements (continued)

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

The remaining fund balance was considered by the District to be unassigned. At December 31, 2017 and 2016, the District had an unassigned fund balance in the general fund of \$49,597 and \$66,313, respectively.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General and Pension Trust Funds. Formal budgetary integration is also employed to comply with the State of Colorado Budget Law. The amounts not included in non-GAAP budgetary basis schedules are reflected on the schedules in the budget section of this report.

The District's Board of Directors follow these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the administrator submits to the District's Board of Directors a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. The budget is formally adopted by a resolution of the Board after considering comments received, prior to December 31, and generally before December 15 to allow the District's members to finalize budgets and certify mill levies in consideration of their District funding obligation before statutory deadlines.

Property Taxes

Property taxes are levied on December 22 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in full by June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of June 16. If the taxes are not paid within subsequent statutory periods, the property will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, in that the District's experience indicates that all material amounts will be collected and paid to the District.

Highland Rescue Team Ambulance District

Notes to Financial Statements (continued)

December 31, 2017 and 2016

3. Stewardship, Compliance and Accountability (continued)

Compensated Absences

Employees of the District are granted vacation and sick time annually, based on individual length of employment. These hours do not carry into subsequent years and are not paid out upon termination of employment with the District. These compensated absences are recognized when paid to the employee.

Tax, Spending and Revenue Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes from its provisions Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined.

The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations in the amendment's language in order to determine its compliance.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Although an Enterprise is not required to do so the District had reserved \$15,249 and \$21,000 for this purpose for the years ended December 31, 2017 and 2016, respectively.

In November 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR, effective for the years 2004 and thereafter.

Management of the District is of the belief that it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits may depend upon litigation and legislative guidance.

Highland Rescue Team Ambulance District

Notes to Financial Statements (continued)

December 31, 2017 and 2016

4. Cash and Investments

Custodial Credit Risks – Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes (CRS) require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. As of December 31, 2017, the District had cash deposits with a bank balance of \$198,964 and a carrying balance of \$198,880. The District's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or be collateral held by the District's custodial banks under provisions of the Colorado Public Depository Act.

Investments

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

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investments is the means of limiting exposure to fair value losses arising from increasing interest rates.

Highland Rescue Team Ambulance District
Notes to Financial Statements (continued)
December 31, 2017 and 2016

3. Cash and Investments (continued)

The District's investments are concentrated in local government investment pools.

Investments held as of December 31, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|-----------|-------------------|-------------------|
| COLOTRUST | <u>\$ 399,456</u> | <u>\$ 365,072</u> |

At December 31, 2017 and 2016, respectively, the District had invested \$399,456 and \$365,072 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes as authorized by state statute. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST 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 COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. At December 31, 2017 the District's investment in the COLOTRUST was rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST on the net asset value method.

6. Capital Assets

GASB Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

Highland Rescue Team Ambulance District
Notes to Financial Statements (continued)
December 31, 2017 and 2016

6. Property, Plant & Equipment (continued)

The following table presents capital assets activity of the District for the year ended December 31, 2017:

| | Balance December 31, 2016 | Transfers/ Additions | Transfers/ Retirements | Balance December 31, 2017 |
|---|---------------------------------|-------------------------|---------------------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ - | \$ - | \$ - |
| Total capital assets, not being depreciated | - | - | - | - |
| Capital assets, being depreciated: | | | | |
| Ambulances | 385,930 | - | - | 385,930 |
| Medical equipment | 201,351 | - | - | 201,351 |
| Station furnishings and equipment | 64,017 | 3,148 | - | 67,165 |
| Other response equipment | 324,135 | 206 | - | 324,341 |
| Buildings and improvements | <u>853,281</u> | <u>-</u> | <u>-</u> | <u>853,281</u> |
| Total capital assets, being depreciated | <u>1,828,714</u> | <u>3,354</u> | <u>-</u> | <u>1,832,068</u> |
| Less accumulated depreciation for: | | | | |
| Ambulances | (77,384) | (52,365) | - | (129,749) |
| Medical equipment | (142,515) | (32,156) | - | (174,671) |
| Station furnishings and equipment | (51,843) | (4,967) | - | (56,810) |
| Other response equipment | (227,823) | (26,916) | - | (254,739) |
| Buildings and improvements | <u>(264,695)</u> | <u>(29,499)</u> | <u>-</u> | <u>(294,194)</u> |
| Total accumulated depreciation | <u>(764,260)</u> | <u>(145,903)</u> | <u>-</u> | <u>(910,163)</u> |
| Total capital assets, being depreciated, net | <u>1,064,454</u> | <u>(142,549)</u> | <u>-</u> | <u>921,905</u> |
| Capital assets, net | <u>\$ 1,064,454</u> | <u>\$ (142,549)</u> | <u>\$ -</u> | <u>\$ 921,905</u> |

Depreciation expense of \$145,903 and 126,373 for the years ended December 31, 2017 and 2016, respectively, was charged to the Ambulance Service function.

7. Long-Term Debt

At December 31, 2017, the District had no authorized but unissued indebtedness.

Highland Rescue Team Ambulance District
Notes to Financial Statements (continued)
December 31, 2017 and 2016

8. Net Service Revenue

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Service and outsource revenue | \$ 354,009 | \$ 312,910 |
| Allowances and disallowed revenue | (196,944) | (95,575) |
| Provisions for bad debt | (50,473) | (142,327) |
| Collection fees | (1,771) | (862) |
| Net service revenue | \$ 104,821 | \$ 74,146 |

9. Retirement Plan

Effective January 1, 2006, the District adopted a 457(b) Governmental Deferred Compensation Plan (the Plan), which allows participating employees to defer a portion of their compensation as allowed under Internal Revenue Code Section 457(b). The District may make contributions to the Plan each year. During the year ended December 31, 2017, employer contributions to the Plan totaled \$4,983.

During 2009, the District adopted a Length of Service Award Program (LOSAP), which provides tax- deferred income benefits to eligible, active volunteer members of Highland Rescue Team. Benefits available to volunteer members are based on the member's years of active service. A participant in the LOSAP is 100% vested after five years of service and other criteria. During the year ended December 31, 2017 and 2016, the District contributed \$60,850 and \$45,618, respectively, to LOSAP.

10. Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Claims made against the District and losses incurred by the District are covered by commercial insurance for all major areas. There have been no significant reductions in insurance coverage in the current year and settlement amounts, if any, have not exceeded insurance coverage for any of the three preceding years.

19. Subsequent Events

The District has evaluated subsequent events through July 27, 2018, the date which the financial statements were available to be issued. During this period, the District was not aware of any material recognizable subsequent events.

Highland Rescue Team Ambulance District

Required Supplementary Information

Highland Rescue Team Ambulance District
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
December 31, 2017

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|--------------------------------------|-------------------|---|
| Revenues | | | |
| Service revenue | \$ 342,000 | \$ 354,009 | \$ 12,009 |
| Provision for bad debts | (132,700) | (249,188) | (116,488) |
| Property taxes | 304,576 | 308,209 | 3,633 |
| Specific ownership tax | 23,000 | 30,262 | 7,262 |
| Grants | 13,500 | 3,548 | (9,952) |
| Team outsource | 20,000 | 56,099 | 36,099 |
| Investment income | 2,000 | 5,145 | 3,145 |
| Other income | 500 | 14,344 | 13,844 |
| | <u>572,876</u> | <u>522,428</u> | <u>(50,448)</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Operations | 273,786 | 285,453 | (11,667) |
| Safety and training | 24,600 | 8,495 | 16,105 |
| Apparatus and equipment | 38,883 | 28,217 | 10,666 |
| Facilities/station | 33,162 | 28,114 | 5,048 |
| Administration | 123,445 | 109,234 | 14,211 |
| LOSAP | 67,000 | 45,618 | 21,382 |
| Capital outlay | 12,000 | 3,354 | 8,646 |
| | <u>572,876</u> | <u>508,485</u> | <u>64,391</u> |
| Total Expenditures | | | |
| Excess Revenue Over (Under) | | | |
| Expenditures | <u>-</u> | <u>13,943</u> | <u>13,943</u> |
| Fund Balance—Beginning of year | <u>557,360</u> | <u>357,671</u> | <u>(199,689)</u> |
| Fund Balance—End of Year | <u>\$ 557,360</u> | <u>\$ 371,614</u> | <u>\$ (185,746)</u> |

The accompanying notes are an integral part of these financial statements.

Highland Rescue Team Ambulance District

Other Supplementary Information

Highland Rescue Team Ambulance District
Summary of Assessed Valuation,
Mill Levy and Property Taxes Collected
December 31, 2017

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Tax Levy</u> | <u>Mills Levied Operations</u> | <u>Total Property Taxes</u> | | <u>Percent Collected to Levied</u> |
|--|--|------------------------------------|-----------------------------|------------------|--|
| | | | <u>Levied</u> | <u>Collected</u> | |
| 2008 | \$ 149,288,940 | 2.000 | \$ 298,578 | \$ 297,949 | 99.79% |
| 2009 | \$ 150,681,010 | 2.000 | \$ 301,362 | \$ 300,592 | 99.74% |
| 2010 | \$ 154,473,330 | 2.000 | \$ 308,946 | \$ 303,515 | 98.24% |
| 2011 | \$ 156,762,920 | 2.000 | \$ 313,526 | \$ 313,473 | 99.98% |
| 2012 | \$ 143,549,454 | 2.000 | \$ 287,099 | \$ 285,387 | 99.40% |
| 2013 | \$ 145,603,771 | 2.000 | \$ 291,208 | \$ 290,483 | 99.75% |
| 2014 | \$ 141,586,905 | 2.000 | \$ 283,174 | \$ 283,145 | 99.99% |
| 2015 | \$ 140,437,798 | 2.000 | \$ 280,875 | \$ 280,030 | 99.70% |
| 2016 | \$ 155,105,663 | 2.000 | \$ 310,211 | \$ 308,198 | 99.35% |
| 2017 | \$ 154,860,839 | 2.000 | \$ 309,722 | \$ 308,209 | 99.51% |
| Estimated for the year ending December 31, 2018 | \$ 168,965,587 | 2.000 | \$ 337,931 | | |