

TRINIDAD AMBULANCE DISTRICT

Financial Statements

And

Supplemental Information

For the Year Ended December 31, 2014

And

Independent Auditors' Report

TRINIDAD AMBULANCE DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Trinidad Ambulance District

We have audited the accompanying financial statements of Trinidad Ambulance District (the District) which comprise the statement of net position as of December 31, 2014 and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trinidad Ambulance District as of December 31, 2014 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Report on Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of revenues and expenses – compared to budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Stockman Kast Ryan & Co., LLP

June 17, 2015

TRINIDAD AMBULANCE DISTRICT

STATEMENT OF NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,683,936
Property taxes receivable	1,048,489
Patient receivables, net	187,943
Inventory	65,966
Other current assets	<u>15,395</u>

Total current assets 3,001,729

CASH – BOARD DESIGNATED FOR BUILDING 2,000,000

CAPITAL ASSETS, NET 1,920,969

TOTAL \$ 6,922,698

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 47,391
Accrued salaries and benefits	<u>62,185</u>
Total current liabilities	<u>109,576</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue 1,048,489

NET POSITION

Net investment in capital assets	1,920,969
Restricted for emergency reserve	67,812
Unrestricted	<u>3,775,852</u>
Total net position	<u>5,764,633</u>

TOTAL \$ 6,922,698

See notes to financial statements.

TRINIDAD AMBULANCE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

NET PATIENT REVENUE, net of provision for bad debts of \$376,512	\$ <u>1,019,147</u>
OPERATING EXPENSES	
Salaries and benefits	1,246,637
Depreciation	269,677
Insurance	179,659
Legal and professional fees	131,921
Vehicles	122,635
Supplies	101,013
Seminars/continuing education	62,371
Utilities	26,796
Fees	20,683
Repairs and maintenance	15,776
Laundry and uniforms	15,169
Other	<u>68,065</u>
Total operating expenses	<u>2,260,402</u>
LOSS FROM OPERATIONS	<u>(1,241,255)</u>
NON-OPERATING REVENUE	
Property tax revenue	1,031,127
Specific ownership tax revenue	172,810
Other income, net	<u>145,322</u>
Total non-operating revenue, net	<u>1,349,259</u>
INCREASE IN NET POSITION	108,004
NET POSITION, Beginning of year	<u>5,656,629</u>
NET POSITION, End of year	<u>\$ 5,764,633</u>

See notes to financial statements.

TRINIDAD AMBULANCE DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 968,800
Cash payments to employees for services	(1,210,948)
Cash payments for goods and services	<u>(766,849)</u>
Net cash used in operating activities	<u>(1,008,997)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Property taxes	1,031,127
Specific ownership tax	172,810
Other	<u>132,056</u>
Net cash provided by non-capital financing activities	<u>1,335,993</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisitions of capital assets	(291,819)
Proceeds from sales of capital assets	<u>9,000</u>
Net cash used in capital and related financing activities	<u>(282,819)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided by investing activities —	
Interest income	<u>12,603</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 56,780

CASH AND CASH EQUIVALENTS, Beginning of year 3,627,156

CASH AND CASH EQUIVALENTS, End of year \$ 3,683,936

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 1,683,936
Cash – board designated for building	<u>2,000,000</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 3,683,936</u>

RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES:

Loss from operations	\$ (1,241,255)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation	269,677
Changes in operating assets and liabilities:	
Patient receivables	(50,347)
Inventory	(21,356)
Accounts payable and accrued expenses	<u>34,284</u>
Net cash used in operating activities	<u>\$ (1,008,997)</u>

See notes to financial statements.

TRINIDAD AMBULANCE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — Trinidad Ambulance District (the District) was organized on March 28, 1989 and is governed by an elected Board of Directors. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District provides emergency transportation services to fee paying customers within a service area allowed by law. The District has no component units as defined by the Governmental Accounting Standards Board (GASB).

Basis of Accounting — The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of the GASB. The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, property taxes and investment income are included in non-operating revenues. The District first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Net Position — The District's net position are classified in the following three components:

- Net investment in capital assets — This component consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — Prior to October 1, the District Manager is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at the District to obtain District elector comments. Prior to December 31, the budget is legally adopted by the Board. The EMS Chief is authorized to transfer budgeted amounts between line items of the District; however, any revisions that alter the total expenditures of the District must be approved by the Board of Directors.

Capital Assets — Acquisitions of capital assets in excess of \$1,000 which have a useful life of greater than one year and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the lives of assets are capitalized. Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from three to 35 years.

Cash and Cash Equivalents — Cash, consisting of demand deposits, money market accounts and cash on hand are deemed to be cash equivalents for the purpose of the statement of cash flows.

Board Designated Cash — The District's Board of Directors has designated \$2,000,000 for the future construction of a new building.

Patient Accounts Receivable — The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for bad debts and contractual adjustments based upon a review of outstanding receivables, historical collection information and existing economic conditions. The District has provided an allowance of \$398,238 as of December 31, 2014. As a service to the patient, the District bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the patient or third-party payor.

Inventory — Inventory is stated at the lower of cost, determined using the first-in, first-out basis or market.

Property Taxes — Property taxes are used to support operations. Taxes are assessed on January 1 and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Income Taxes — The District is exempt from income taxes under the Internal Revenue Code and State law.

Net Patient Service Revenue — The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient revenue is reported at estimated net realizable amounts from patients, third-party payors and others, and a provision for bad debts. Patient revenue is net of contractual adjustments and discounts of \$1,581,988 and the provision for bad debts of \$376,512.

Revenue from the Medicare and Medicaid programs accounted for approximately 58% of the District's net patient service revenue.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates — Preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The District has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014 is as follows:

	Balance at January 1, 2014	Additions	Decreases	Balance at December 31, 2014
Land	\$ 214,371			\$ 214,371
Building	1,342,957			1,342,957
Vehicles	1,237,598	\$ 101,559	\$ 26,950	1,312,207
Furniture and equipment	<u>616,650</u>	<u>190,260</u>	<u> </u>	<u>806,910</u>
Total capital assets	3,411,576	291,819	26,950	3,676,445
Total accumulated depreciation	<u>1,512,749</u>	<u>269,677</u>	<u>26,950</u>	<u>1,755,476</u>
Capital assets, net	<u>\$ 1,898,827</u>	<u>\$ 22,142</u>	<u>\$ —</u>	<u>\$ 1,920,969</u>

3. LEASE

The District leases office space under a month-to-month lease. Total rent expense was \$10,435 for the year ended December 31, 2014.

4. RETIREMENT PLANS

The District participates in the Colorado County Officials and Employee Retirement Association (CCOERA) 401(a) retirement plan and a CCOERA 457 deferred compensation plan, both of which are defined contribution plans (the Plans). All employees working at least 32 hours per week, 12 months per year are eligible to participate in the 401(a) plan after the first three months of employment. The District contributes 3% of the participant's compensation and the participant becomes fully vested over a three-year period. All employees (full time and part time) are immediately eligible to participate in the 457 plan, although they are not eligible for employer matching during their first year of eligibility. Employee and employer contributions are immediately vested under the 457 plan. The District will match employee contributions to the plan up to a match of 7%. District contributions to the Plans for the year ended December 31, 2014 were \$51,109.

5. DEPOSITS

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash into eligible public depositories as determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA which 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 aggregate uninsured deposits.

At December 31, 2014, the carrying amount of the District's cash is \$3,683,936. The bank balances of these accounts total \$3,688,056. Of the bank balances, \$500,000 was covered by federal depository insurance and \$3,188,056 is collateralized with securities held by the pledging financial institution.

6. 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; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss. There were no claims resulting from these risks that exceeded commercial insurance coverage during 2014.

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Further, the District is subject to the provisions of the Colorado Government Immunity Act which provides a limitation on the liability of the District. The District is not aware of any unasserted claims, unreported incidents or claims outstanding which are expected to exceed malpractice insurance coverage limits as of December 31, 2014.

7. TAX, SPENDING AND DEBT LIMITATIONS

In 1992 Colorado voters approved Amendment 1 to the state Constitution which is commonly known as the Taxpayer's Bill of Rights or the TABOR Amendment. The amendment applies to all units of local governments and limits taxes, spending, revenue, and multi-year debt (excepting bond refundings to lower interest rates and adding employees to pension plans). The District believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

The District has recorded an emergency reserve of 3% of its annual spending as required by TABOR.

TRINIDAD AMBULANCE DISTRICT

SUPPLEMENTAL SCHEDULE

TRINIDAD AMBULANCE DISTRICT

SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES – COMPARED TO BUDGET FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance
NET PATIENT REVENUE	<u>\$ 892,146</u>	<u>\$ 1,019,147</u>	<u>\$ 127,001</u>
OPERATING EXPENSES			
Salaries and benefits	1,240,104	1,246,637	(6,533)
Insurance	186,000	179,659	6,341
Legal and professional fees	139,500	131,921	8,995
Vehicle	86,650	122,635	(35,985)
Supplies	83,500	101,013	(17,513)
Seminars/continuing education	52,000	62,371	(10,371)
Utilities	23,500	26,796	(3,296)
Fees	23,755	20,683	3,072
Repairs and maintenance	17,500	15,776	1,724
Laundry and uniforms	5,000	15,169	(10,169)
Office expense	15,000	14,912	88
Public relations	10,000	13,797	(3,797)
Telephone	13,000	10,442	2,558
Rent	10,000	10,435	(435)
Contract services	5,900	8,409	(2,509)
Dues and subscriptions	3,000	4,652	(1,652)
Other		5,418	(6,834)
Capital outlay	<u>272,335</u>	<u>291,819</u>	<u>(19,484)</u>
Total operating expenses	<u>2,186,744</u>	<u>2,282,544</u>	<u>(95,800)</u>
LOSS FROM OPERATIONS	<u>(1,294,598)</u>	<u>(1,263,397)</u>	<u>31,201</u>
NON-OPERATING REVENUE (EXPENSE)			
Property tax revenue	1,043,189	1,031,127	(12,062)
Specific ownership tax revenue	161,327	172,810	11,483
Grants	13,000	7,500	(5,500)
Interest income	5,600	12,603	7,003
Other revenue	18,302	125,369	107,067
Interest and financing expense	<u>(800)</u>	<u>(150)</u>	<u>650</u>
Total non-operating revenue	<u>1,240,618</u>	<u>1,349,259</u>	<u>108,641</u>
NET INCOME (LOSS) – NON-GAAP	<u>\$ (53,980)</u>	<u>85,862</u>	<u>\$ 139,842</u>
Reconciling items:			
Depreciation		(269,677)	
Capital outlay		<u>291,819</u>	
INCREASE IN NET POSITION – GAAP BASIS		<u>\$ 108,004</u>	