

El Paso County Public Health
(A component unit of
El Paso County, Colorado)

Financial Statements
For the year ended December 31, 2016



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Administration

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June 22, 2017

To the Board of Health and Citizens of El Paso County:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. Publishing of this report is to fulfill that requirement for the fiscal year ended December 31, 2016.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

RubinBrown LLP issued an unmodified (“clean”) opinion on El Paso County Public Health’s financial statements for the year ended December 31, 2016. The independent auditors report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

El Paso County, incorporated in 1861 and located in the central part of the state, is one of the top growth areas in both the state and the country. The 2016 population estimates from the Colorado Department of Local Affairs has El Paso County’s population estimated at 688,227. El Paso County is the second largest county according to population in the State and occupies 2,158 square miles. El Paso County Public Health (EPCPH) serves all residents of El Paso County with 138 full time equivalent employees.

El Paso County Public Health is governed by a nine-member Board of Health, whose members are appointed by the El Paso County Board of Commissioners for five-year terms. The Board of Health governs the agency through the establishment of policy, approval of budgets, and appointment of the public health director.

Mission

Our mission is to promote and protect public health and environmental quality across El Paso County through people, prevention, and partnerships. Our Public Health agency serves all residents and visitors of El Paso County, which includes the cities of Colorado Springs and Manitou Springs, and the towns of Calhan, Fountain, Monument, Palmer Lake, and Ramah. Public Health is defined by the Institute of Medicine as “fulfilling society’s interest in assuring conditions in which people can be healthy.” Programs are targeted toward the general population and specific high-risk groups to aid in making healthy choices, and to provide interventions to prevent spread of disease.

Local economy

Major industries located within El Paso County’s boundaries, or in close proximity, include several military bases and their related supporting operations, semiconductor companies, automobile dealers, large retailers, as well as several financial institutions, religious organizations, and insurance companies.

Major initiatives

EPCPH expanded efforts to reach underserved residents and increase immunization rates among school age children for those who are uninsured, underinsured or who have Medicaid. Several immunization clinics were offered throughout the community in 2016 to provide low or no-cost vaccines. EPCPH partnered with the Southeast Armed Services YMCA, Harrison School District 2, and Widefield School District 3 to provide convenient access to immunizations. The immunization clinic also initiated walk-in vaccination days to increase access to vulnerable populations. The clinic also continued to work with its community partners to provide vaccines to refugees living in Colorado Springs, EPCPH served refugees from many areas of the world, including Cuba, China, areas of the Middle East, and Africa.

EPCPH secured funding to address a concerning trend of teen suicide in El Paso County. In 2016, the Youth Suicide Prevention Program began a monthly convening of the Youth Suicide Prevention Work Group consisting of representatives of more than 40 community partners. The work group seeks to develop a circle of care for youth at risk for suicide to ensure they receive the resources and care coordination they need. The work group is assessing what prevention activities are currently happening in the community, and will create plans to develop a system of care and inter-agency communication for at-risk youth.

In January, the Youth Substance Abuse Prevention staff met with key community leaders from Fountain, CO, to begin the planning process for mobilizing the community to implement the Communities that Care (CTC) system. This is an evidence-based system that is proven to prevent youth substance abuse. With the support of a dedicated CTC facilitator, employed by EPCPH, this process empowers community members to take ownership for the long term health, safety, and well-being of youth by creating a stronger sense of connectedness to their families, community and society.

EPCPH added a Built Environment planner in 2016 to begin working throughout the community to encourage the inclusion of health-promoting policies in long range development plans, transportation plans and other built environment related plans. Activities include working with the local community and agencies to leverage resources that improve public health outcomes within our built environments, particularly in lower income communities, to ensure that all residents have equal opportunities to achieve optimal health.

Respectfully Submitted,

Nicola J. Sapp

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Independent Auditors' Report

Board of Health
El Paso County Public Health Department
Colorado Springs, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the El Paso County Public Health Department (the Department) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 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 the Department as of December 31, 2016, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10, budgetary comparison schedule on page 30 and schedule of the Department's proportionate share of the net pension liability and schedule of the Department's contributions and related ratios on pages 31 and 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 auditing standards generally accepted in the United States of America, 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.

Supplementary And Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

RubinBrown LLP

June 22, 2017

**EL PASO COUNTY PUBLIC HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016**

This brief report of El Paso Public Health (the "Department") is for the year ended December 31, 2016. Management's Discussion and Analysis ("MD&A") is designed to provide an overview of the financial activities of the Department during 2016. The MD&A should be read in conjunction with the Department's basic financial statements.

Background Information

The El Paso County Public Health was established pursuant to Title 25, Article 1 of the Colorado Revised Statutes. A nine-member Board of Health appointed by the El Paso County Board of County Commissioners governs the Department.

The Department is considered a component unit of El Paso County, Colorado and accordingly, the Department's financial data is included in El Paso County's combined financial statements.

Overview of the Financial Statements

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Department finances.

The *statement of net position* presents information on all of the Department's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is reported as net position.

The *statement of activities* presents information showing the changes in the Department's net position during the past year.

Both of the government-wide financial statements distinguish functions of the Department that will be principally supported by taxes and intergovernmental and enterprise revenues.

Fund financial statements. A fund is a grouping of related accounts that is used to control resources for specific activities. The Department uses fund accounting like other state and local governments. The Department has only one fund.

Government funds. Government funds are essentially the same as governmental activities reported in the government-wide financial statements. Unlike the government-wide financial statements, government fund financial statements focus on near-term transactions of expendable resources and the balances of resources available for spending at the end of the fiscal year.

Financial Efforts of 2016

Department financial activities consist of 32 distinct programs. The Department is organized into three operating divisions and one support division. The operating divisions include:

- Disease Prevention & Health Promotion
- Environmental Health Services
- Health Services

The one support division is Administration.

**EL PASO COUNTY PUBLIC HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

The Department's revenue consists primarily of funds from El Paso County, intergovernmental (State and Federal), and enterprise revenue (collected from licenses, fees, and permits).

The table below shows the condensed Statements of Net Position as of the end of each year:

	2016	2015
Current assets	\$ 6,107,627	\$ 5,117,426
Capital assets	-	10,713
Total assets	6,107,627	5,128,139
Deferred outflows	877,193	1,137,977
Total deferred outflows	877,193	1,137,977
Current liabilities	1,489,962	1,184,478
Other liabilities	8,265,369	8,360,060
Total Liabilities	9,755,331	9,544,538
Deferred inflows	419,899	296,557
Total deferred inflows	419,899	296,557
Net Position:		
Invested in capital assets	-	10,713
Restricted for TABOR	299,182	293,789
Unrestricted	(3,489,592)	(3,879,481)
Total Net Position	\$ (3,190,410)	\$ (3,574,979)

The following table shows the condensed Statement of Activities for 2016 and 2015:

	2016	2015
Revenues:		
El Paso County	\$ 3,285,804	\$ 3,285,804
Intergovernmental and other grants	17,428,129	17,642,568
Licenses, Fees, and Permits	3,217,683	2,949,673
General (including loss on disposal)	74,826	49,947
Total revenues	\$ 24,006,442	\$ 23,927,992
Expenses:		
Personnel	\$ 10,432,800	\$ 10,201,192
Operating	13,178,360	13,613,227
Depreciation expense	10,713	32,496
Total expenditures	\$ 23,621,873	\$ 23,846,915
Change in net position	384,569	81,077
Net Position, January 1	(3,574,979)	(3,656,056)
Net Position, December 31	\$ (3,190,410)	\$ (3,574,979)

**EL PASO COUNTY PUBLIC HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

The table below shows the condensed revenues and expenditures, budget and actual for the general fund, for 2016.

	Budget	Actual
Revenues:		
El Paso County	\$ 3,285,804	\$ 3,285,804
Intergovernmental and other grants	8,844,988	8,890,864
Licenses, Fees and permits	2,868,323	3,217,683
Investment earnings	2,000	18,479
Miscellaneous	22,042	56,347
Total revenues	<u>\$ 15,023,157</u>	<u>\$ 15,469,177</u>
Expenditures:		
Personnel	\$ 10,226,424	\$ 10,118,463
Operating	4,747,534	4,641,095
Total expenditures	<u>\$ 14,973,958</u>	<u>\$ 14,759,558</u>
Excess (deficiency) of revenues over (under) expenditures	49,199	709,619
Fund Balance, January 1, 2016	<u>3,802,112</u>	<u>4,078,492</u>
Fund Balance, December 31, 2016	<u><u>\$ 3,851,311</u></u>	<u><u>\$ 4,788,111</u></u>

The Department ended 2016 with revenue exceeding expenditures in the general fund by \$709,619. This increased the fund balance to \$4,788,111. Our total unassigned fund balance of \$4,488,929 is 29% of our annual collected revenue. The Department's minimum range per policy is 18% - 21% of annual collected revenue and is intended to cover unforeseeable fluctuations in income and/or expenditures.

**EL PASO COUNTY PUBLIC HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Actual revenue for 2016 was \$15,469,177, which is \$446,020 more than budgeted revenue of \$15,023,157. This overage is briefly summarized as follows:

1. A number of contract revenues were either slightly over or under budget due to a change in the mix of programs and contract services we provide. The Immunization Programs ended the year with contract revenue over budget by \$49,006. The Immunization programs over budget is primarily due to additional contract funding received in the program. The agency ended the year with Colorado Department of Public Health and Environment (CDPHE) Purchase Orders over budget by \$47,550. The Environmental Health Services Program and the Emergency Preparedness Program CDPHE Purchase Order over budgets were due to additional purchase orders received in the programs. The Nurse Family Partnership Program ended the year with contract revenues under budget by \$72,587 due to decreased contract revenue and the services provided. The result was a \$45,876 increase in Intergovernmental and Other Grants.
2. The increase in revenue was compounded by the increase of \$349,360 in Licenses, Fees and Permits for 2016. The agency ended the year with an increase of \$272,759 in revenue over budget in Medicaid Fees as a result of the new Affordable Care Act policy which increased enrollment in the Medicaid services we provide. A number of contract revenues were slightly over budget as a result of a change in mix of programs and contract services we provided.
3. Donations and Miscellaneous income finished the year higher than the budgeted amount. Investment earnings were higher than the budget due to higher interest rates.

The difference between the final budgeted expenditures of \$14,973,958 and the actual expenditures of \$14,759,558 was \$214,400 and is briefly summarized as follows:

1. Personnel expenditures were under budget by \$107,961 due to lower overall staffing levels.
2. Personnel and Operating Expenses were tightly managed to offset the changes in revenue and expenses above resulting in lower than budgeted spending.

The table below shows the 2016 original and final budget:

	Original	Final
Revenues:		
El Paso County	\$ 3,285,804	\$ 3,285,804
Intergovernmental and other grants	8,390,024	8,844,988
Licenses, Fees and permits	2,868,323	2,868,323
Investment earnings	2,000	2,000
Miscellaneous	22,042	22,042
Total revenues	<u>\$ 14,568,193</u>	<u>\$ 15,023,157</u>
Expenditures:		
Personnel	\$ 10,276,462	\$ 10,226,424
Operating	4,242,532	4,747,534
Capital outlay	-	-
Total expenditures	<u>\$ 14,518,994</u>	<u>\$ 14,973,958</u>
Excess (deficiency) of revenues over (under) expenditures	49,199	49,199
Fund Balance, January 1, 2016	<u>3,802,112</u>	<u>3,802,112</u>
Fund Balance, December 31, 2016	<u><u>\$ 3,851,311</u></u>	<u><u>\$ 3,851,311</u></u>

**EL PASO COUNTY PUBLIC HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2016**

Capital Assets

The Department's investment in property and equipment at December 31, 2016 amounts to \$0 (net of accumulated depreciation of \$253,443). This investment in capital assets includes computers, medical equipment, and furniture, and any other equipment acquired over the cost of \$25,000.

There were no capital additions for the year. Please refer to note 3 for additional information on capital assets.

Summary

El Paso County Public Health was able to complete its obligations for all grants and contracts. The Department increased its unassigned fund balance to approximately 29% of annual collected revenue, above its minimum range per policy of 18% - 21%.

Future revenues and expenditures will depend on the economic climate of El Paso County, the state of Colorado, and funding at the federal level. Anticipated budget and program cuts at the state and federal level will affect the level of services that the Department will provide in future years. Programs will be evaluated to assure that adequate funding is available to sustain the level of services required and to meet the goal of the Department to become fiscally self-sufficient.

If you have questions about this report, or need additional financial information, contact the County Administration and Financial Services Division, at El Paso County, 200 S. Cascade Ave., Suite 30, Colorado Springs, Colorado 80903.

EL PASO COUNTY PUBLIC HEALTH
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,170
Cash with County Treasurer	3,809,519
Grants and contracts receivable	2,265,919
Accounts receivable	27,019
Total Assets	6,107,627
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	877,193
Total Deferred Outflows of Resources	877,193
LIABILITIES	
Accounts payable	324,627
Due to El Paso County	73,153
Accrued liabilities	287,081
Unearned revenue	634,655
Noncurrent liabilities	
Due within one year	170,446
Due in more than one year	763,062
Net pension liability	7,502,307
Total Liabilities	9,755,331
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	419,899
Total Deferred Inflows of Resources	419,899
NET POSITION	
Restricted for emergency reserve (TABOR)	299,182
Unrestricted	(3,489,592)
Total Net Position (deficit)	\$ (3,190,410)

The accompanying notes are an integral part of this statement.

EL PASO COUNTY PUBLIC HEALTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Public Health	\$ 23,621,873	\$ 7,313,423	\$ 16,618,193	\$ -	\$ 309,743
Total governmental activities	\$ 23,621,873	\$ 7,313,423	\$ 16,618,193	\$ -	\$ 309,743
General revenues:					
Interest income					18,479
Miscellaneous					56,347
Total general revenues					74,826
Change in net position					384,569
Net position (deficit) - January 1					(3,574,979)
Net position (deficit) - December 31					\$ (3,190,410)

The accompanying notes are an integral part of this statement.

EL PASO COUNTY PUBLIC HEALTH
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2016

	General Fund
ASSETS	
Cash and cash equivalents	\$ 5,170
Cash with County Treasury	3,809,519
Grants and contracts receivable	2,265,919
Accounts receivable	27,019
Total Assets	6,107,627
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	324,627
Due to El Paso County	73,153
Accrued liabilities	287,081
Unearned revenue	634,655
Total Liabilities	1,319,516
Fund Balances:	
Restricted for emergency (TABOR)	299,182
Unassigned	4,488,929
Total Fund Balances	4,788,111
Total Liabilities and Fund Balances	\$ 6,107,627

The accompanying notes are an integral part of this statement.

EL PASO COUNTY PUBLIC HEALTH
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Fund Balance - Governmental Funds	\$	4,788,111
<p>Amounts reported for the governmental activity in the statement of net position are different because:</p>		
<p>Compensated absences that are not due and payable in the current period are not reported in the fund.</p>		(933,508)
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$253,443 and the accumulated depreciation is \$253,443.</p>		-
<p>Deferred outflows of resources are not available resources and, therefore, are not reported in the funds.</p>		
<p style="padding-left: 20px;">Deferred outflow related to pension (GASB 68)</p>		877,193
<p>Long-term pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
<p style="padding-left: 20px;">Net pension liability (GASB 68)</p>		(7,502,307)
<p>Deferred inflows of resources are not available resources and, therefore, are not reported in the funds.</p>		
<p style="padding-left: 20px;">Deferred inflows related to pension (GASB 68)</p>		(419,899)
Total Net Position (Deficit) - Governmental Activities	\$	(3,190,410)

The accompanying notes are an integral part of this statement.

EL PASO COUNTY PUBLIC HEALTH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund
REVENUES	
Charges to El Paso County for programs	\$ 3,285,804
Intergovernmental and other grants	17,428,129
Licenses, fees, and permits	3,217,683
Interest income	18,479
Miscellaneous	56,347
Total Revenues	24,006,442
EXPENDITURES	
Current	
Noncash federal vouchers and supplies	8,537,265
Salaries and wages	7,692,514
Employee benefits	2,425,949
Occupancy	1,331,635
Information systems	782,907
Supplies	507,932
Professional fees and supportive services	545,677
State fees	312,281
Transportation	305,061
Other expenditures	387,617
Telephone and utilities	82,204
Advertising	115,452
Employee education	271
Program expense	157,461
Consultants	35,500
Repair and maintenance	20,973
Insurance	33,613
Printing and publications	11,666
Postage and shipping	10,845
Total Expenditures	23,296,823
Net Change in Fund Balances	709,619
Fund balance - January 1	4,078,492
Fund balance - December 31	\$ 4,788,111

The accompanying notes are an integral part of this statement.

EL PASO COUNTY PUBLIC HEALTH
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE TO
 THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Governmental Funds	\$	709,619
<p>Amounts reported for the governmental activity in the statement of activities are different because:</p>		
<p>Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the costs of those assets are allocated over estimated useful lives and reported as depreciation expense. This amount is netted against depreciation of \$10,713 in the current period.</p>		(10,713)
<p>Expenses related to compensated absences that do not require the use of current financial resources are not reported as expenditures in the General Fund.</p>		32,636
<p>Expenses related to pension expense, calculated under GASB 68 that do not require the use of current financial resources are not reported as expenditures in the General Fund.</p>		(346,973)
Change in Net Position of the Governmental Activities	\$	<u><u>384,569</u></u>

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

Nature of Organization

El Paso County Public Health (the Department) is a political subdivision of the State of Colorado established pursuant to Title 25, Article 1 of the Colorado Revised Statutes. The Department, governed by a nine-member Board of Health appointed by the El Paso County Board of County Commissioners, was established to provide a healthful environment for El Paso County, to improve the quality of life, to prevent premature deaths, to maintain community health surveillance, to prevent communicable disease and congenital defects, to provide early identification and evaluation of handicapping conditions, to prevent chronic debilitating diseases and to provide preventive health services.

The financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

Reporting Entity

Under GAAP, the Department is considered a component unit of El Paso County, Colorado. Accordingly, the Department's financial data is included in El Paso County's financial statements.

The financial statements of the Department include the financial activities of the Department. The requirements for inclusion as a component unit are based primarily upon whether the Department is considered financially accountable for the potential component unit. The Department is financially accountable if it appoints a voting majority of a potential component unit's governing body and is able to impose its will on that potential component unit, or because the potential component unit will provide a financial benefit or impose a financial burden on the Department. The Department does not have any component units.

Basis of Presentation

The Department's basic financial statements include both government-wide (reporting the Department as a whole) and fund financial statements (reporting the Department's major funds).

Government-Wide 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, excluding fiduciary activities of the government.

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

Fund Accounting

The Department uses one fund (the General Fund) to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with self-balancing accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Of the three categories of funds (governmental,

proprietary and fiduciary), the Department uses only governmental.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of the Department are included in the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Nonexchange transactions, in which the Department receives value without directly giving equal value in return, include grants. The Department does not levy a property tax. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Cash and Investments

The Department considers all liquid investments with original maturities of three months or less to be cash equivalents. As required by state statute, the El Paso County Treasurer serves as Treasurer of the Department and holds all other cash and investments for the Department as Department resources.

Receivables

Receivables consist of grants, contracts and other receivables. Management believes these receivables are fully collectable.

Inventory

The Department elects to expense inventory upon receipt, which allows it to submit inventory expense for reimbursement from grants and other contracts.

Capital Assets

Capital assets, which consist of property and equipment, are recorded at cost. Donated capital assets are recorded at acquisition 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 assets' lives are not included in the capital assets.

The Department uses a capitalization threshold of \$25,000 for financial statement purposes and depreciates capital assets on the straight-line method, using asset lives as follows:

<u>Asset</u>	<u>Years</u>
Office furniture and equipment	5 - 10
Computer equipment	3

Unearned Revenue

Unearned revenue consists of license and fees collected for future periods.

Compensated Absences

It is the Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The amounts are recorded in the government-wide financial statements. Vacation and sick pay benefits are expected to be liquidated by the General Fund and are reported as an expenditure and fund liability of the General Fund only if the amounts at year end have been incurred.

Fund Balance

In the fund financial statements, the governmental fund reports the following classifications of fund balance:

Nonspendable - includes items not expected to be converted to cash in the near term (e.g., inventories and prepaids), or funds that legally or contractually must be maintained intact.

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - includes amounts that can only be used for the specific purposes determined by a formal action, a Board resolution, of the Department's highest level of decision-making authority, El Paso County Board of Health. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned - consists of funds intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. El Paso County Public Health has delegated the authority to the Public Health Executive Director and Budget Officer to designate funds and amounts to be used for specific purposes.

Unassigned - is the residual classification of the General Fund and includes all spendable amounts not contained in other classifications. This category also provides the resources necessary to meet any unexpected expenditures and revenue shortfalls.

The Department has established a formal policy for its use of restricted and unrestricted (unassigned, assigned, committed) fund balance; however, when expenditures are incurred, the Department uses restricted fund balances first if the expenditure meets the restricted purpose, followed by unassigned amounts, assigned amounts and lastly, committed amounts.

Net Position

In the government-wide financial statements, net position is displayed in three components as applicable:

Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation.

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "investment in capital assets."

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

Noncash Federal Vouchers and Supplies

The Department is not legally required to budget for the noncash federal vouchers and supplies it receives, and does not do so. A budget to GAAP reconciliation for this difference is as follows:

General Fund	
Net change in fund balance (budgetary basis)	\$ 709,619
Noncash federal vouchers and supplies revenue	8,537,265
Noncash federal vouchers and supplies expenditures	<u>(8,537,265)</u>
Change in Fund Balance (GAAP Basis)	<u><u>\$ 709,619</u></u>

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the El Paso County Retirement Plan (EPCRP) and additions to/deductions from EPCRP's fiduciary net position have been determined on the same basis as they are reported by EPCRP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of new accounting standards

Effective January 1, 2016, the Department implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which is effective for periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. For the Department, the effect of implementing this standard was to change its disclosures regarding investments in Note No. 2 to reflect fair value of investments and to disclose levels of fair value hierarchy and valuation techniques.

Effective January 1, 2016, the Department implemented GASB Statement No. 82, *Pension Issues, an Amendment of GASB Statements No. 67, 68, and 73*. GASB Statement No. 82 is effective for periods beginning June 15, 2016. The Department adopted early implementation of this standard. GASB Statement No. 82 amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. For the Department, the effect of implementation of this standard affected the amounts presented in the Required Supplementary Information for the Department's covered payroll.

2. Deposits and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified 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 equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the

collateral pools. At December 31, 2016, the Department had bank deposits of \$796,112 collateralized with securities held by the financial institution's agent but not in the Department's name.

The cash with the County Treasurer as of December 31, 2016, is comprised of \$1,141,549 in demand deposits at Wells Fargo Bank and \$2,667,970 in investments at COLOTRUST held by the El Paso County Treasurer for the Department as required by Colorado state statute. All investment earnings were earned on the accounts held by the Treasurer.

Fair Value Measurement - Public Health categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

ColoTrust is a local government investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing and redeeming shares, ColoTrust maintains a stable net asset value (NAV) of \$1 per share using the fair value method. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. ColoTrust investment is reported at NAV.

- ColoTrust investments of \$2,667,970 are reported at fair value using Net Asset Value (NAV) measurement. ColoTrust investments do not have any unfunded commitments, redemption restrictions, or redemptions notice periods.

3. Capital Assets

Capital asset activity was as follows:

	Balance - January 1, 2016	Additions	Retirements	Balance - December 31, 2016
Government Activity				
Capital assets, being depreciated				
Equipment	\$ 411,409	\$ -	\$ (157,966)	\$ 253,443
Less accumulated depreciation for				
Equipment	(400,696)	(10,713)	157,966	(253,443)
Total capital assets being				
depreciated, net	\$ 10,713	\$ (10,713)	\$ -	\$ -

Depreciation expense was \$10,713 for the year ended December 31, 2016.

4. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

The Department only has one item that qualifies for reporting in this category. A deferred outflow related to net pension liability has been recorded as of December 31, 2016, which consists of two components: 1) change in investment earnings; and 2) change in projected and actual experience. See Note No. 10 for additional information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow 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 Department only has one item that qualifies for reporting in this category. A deferred inflow related to net pension liability has been recorded as of December 31, 2016, which is classified as change in proportionate share. See Note No. 10 for additional information.

5. Operating Leases

The Department leases a building from El Paso County on an annual basis. The lease expense for the year ended December 31, 2016 was \$1,255,679. The Department does have a commitment for 2017 to lease the building for \$1,253,693.

The Department also leases certain real property from third parties. Future lease obligations related to those leases are:

<u>Year</u>	<u>Minimum Lease Payment</u>
2017	\$ 42,432
2018	44,124
2019	45,888
2020	<u>47,724</u>
	<u>\$ 180,168</u>

Rental expense for all operating leases amounted to \$1,296,479 for the year ended December 31, 2016.

6. Memorandum of Understanding

The Department has entered into a Memorandum of Understanding (MOU) with El Paso County. Under the terms of the MOU, the Department leases office space subject to annual renewal (see Note 5). In addition, the Department is obligated to reimburse El Paso County for information technology services, payroll services, finance and budget services and employment services. A liability of \$73,153 was owed to El Paso County at December 31, 2016. Expenditures under this agreement totaled approximately \$3,915,464 for the year ended December 31, 2016.

7. Related Party Contract

The Department entered into a contract with Innovative Health Systems, Inc., for the time period of November 3, 2015 to February 1, 2016, for Interim Medical Director Services. The agreed upon compensation was \$34,935, payable at rate of \$11,645 per month. The contract stipulated that all medical services were to be performed only by James Wayne Terbush, MD, who is an appointed member of the Board of Health of El Paso County Public Health. Scope of work included overseeing and providing medical consultation, direction and oversight for all clinical activities and programs.

8. Concentrations

Excluding noncash federal vouchers and supplies, the Department received approximately 21% and 57% of its revenue from El Paso County and intergovernmental grants, respectively, for the year ended December 31, 2016.

9. Risk Management

The Department is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. Insurance coverage for property is provided by El Paso County's general liability insurance. The Department is also covered by El Paso County's Workmans Compensation Insurance. El Paso County pays the premiums for the insurance coverage. There have been no significant reductions in insurance coverage. The Department maintains commercial insurance for Medical and Employers' liability and general professional liability insurance coverage through COPIC. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

10. Contingencies

The Department receives grant monies from various federal and state agencies and private foundations. Such grants are subject to audit by the grantor. Such audits could lead to requests for reimbursement to the grantor for expenditures not in compliance with the terms of the grant. Based upon the lack of reimbursement requests in prior audits, the Department's management believes such reimbursement requests, if any, will be immaterial.

11. Retirement Plans

Voluntary Defined Contribution Plan

Together with El Paso County, the Department sponsors a voluntary defined contribution 457(b) plan, which is available to substantially all employees. El Paso County and the Department are not required to make any matching contributions.

El Paso County Retirement Plan

A Plan description and provisions

The following brief description of the El Paso County Retirement Plan (the Plan) is provided for informational purposes only. Participants should refer to the plan document for more complete information. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the El Paso County Retirement Plan, 2880 International Cir., Suite N030, Colorado Springs, Colorado 80910, or by calling (719) 520-7490. The report may also be found at www.epcretirement.org.

General - The Plan is a cost-sharing multiple employer defined benefit plan covering all permanent, full-time and job-share employees of the participating employers upon their date of employment. Employers, as defined in the plan document, include El Paso County, El Paso County Public Health, Pikes Peak Library District, 4th Judicial District Attorney and El Paso County Retirement Plan. All employees hired after September 1, 1967 are required to participate. Employees hired from 1974 through 1981 who were age 60 or older at their date of employment could elect to become a member as of January 1, 1982.

The participants of the Plan consisted of the following as of December 31, 2015 (the most recent actuarial valuation date):

Inactive plan members currently receiving benefits	1,466
Inactive plan members entitled to but not yet receiving benefits	309
Active plan members	2,585
Total	4,360

The El Paso County Board of Retirement (the Board) manages and administers the Plan. The Board consists of five members, one of whom is the El Paso County Treasurer, two of whom are appointed by the El Paso County Board of Commissioners (the Board of Commissioners) and two of whom are employees of the participating employers elected by participants. The Board shall have all powers necessary to effect the management and administration of the Plan in accordance with its terms. The Board has the powers set forth in Part 1, Title 24, Article 54, of the Colorado Revised Statutes.

Plan Amendments - The Board has the right to alter, amend, or terminate the Plan or any part thereof in such manner as it may determine; provided that no such alteration or amendment shall provide that a retirement benefit payable to any retired member shall be less than that provided by his or her accumulated contributions or affect the right of any member to receive a refund of his accumulated contributions and provided further that no alteration, amendment or termination of the Plan or any part thereof shall permit any part of the Plan to revert to or be recoverable by any employer or be used for or diverted to purposes other than the exclusive benefit of members, retired members, terminated vested members or beneficiaries under the Plan, except such funds, if any, as may remain at termination of the Plan after satisfaction of all liabilities with respect to members, retired members, terminated vested members and beneficiaries under the Plan and are due solely to erroneous actuarial calculations.

The Plan is intended to comply with the requirements of the applicable provisions of Internal Revenue Service Code Section 401(a) as now in effect or hereafter amended, and any modification or amendment of the Plan may be made retroactive, as necessary or appropriate, to establish and maintain such compliance.

Contributions - Contribution requirements are established and may be amended by the Board. Through December 31, 2009, participants contributed 6% of their monthly compensation to the Plan. The Plan was amended during 2009 to increase the participant monthly contribution rate to 6.5% effective January 1, 2010, 7.0% effective January 1, 2011 and 7.5% effective January 1, 2012. The Plan was further amended in 2013 to increase the participant monthly contribution rate to 8.0% effective January 1, 2014. Under the Plan provisions, the participating employers make monthly contributions at least equal to the contributions made by the participants. Interest is credited on employee contributions at the rate of 3% per annum, compounded monthly. Employee and employer basic contributions amounted to 16% of covered payroll for both 2016 and 2015.

Contributions are tax-deferred to the participants for federal income tax purposes. If participants have completed five years of service if hired before January 1, 2013 and eight years of service if hired on or after January 1, 2013, they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future rights to any benefits. However, eligible participants who return to employment with a participating employer within 48 months and were previously refunded their contributions may reinstate withdrawn service if they repay the Plan the amount received when employment was terminated, plus interest, within twelve months of rehire.

Active participants who have completed five years of service if hired before January 1, 2013 and eight years of service if hired on or after January 1, 2013 may purchase up to five years of service credit for any period of full-time, nonvested previous employment with any public or private employer. One month of service credit may be purchased for each full month of full-time, nonvested, noncovered employment. The cost to purchase one month of service credit for noncovered employment is the "actuarial equivalent cost", as determined by the actuary for the Plan.

Participants may elect to pay for purchases of service credit in a lump sum or an installment basis. Effective July 2016, service credit purchases may also be made by rollover contributions from an eligible retirement plan. Payments may be made on a monthly, quarterly or annual basis with interest due at the actuarial equivalent interest rate for periodic benefits. The period over which installment payments may be made cannot exceed a period equal to the total amount of credited service to be purchased. Purchased service is recognized when paid.

Administrative Expenses — The Plan's administrative expenses are paid from the assets of the Plan accumulated from contributions and investment earnings. In 2016, the Board of County Commissioners voted to reimburse the Plan's administrative costs annually up to a maximum of \$600,000 commencing in 2017.

Termination Benefits - Participants vest in accumulated contributions as follows:

- (a) If hired before January 1, 2013 and credited with less than five years of service or hired on or after January 1, 2013 and credited with less than eight years of service: Refund of the participant's accumulated contributions.
- (b) If hired before January 1, 2013 and credited with five or more years of service or hired on or after January 1, 2013 and credited with eight or more years of service:
 - (i) The participant may elect to receive a deferred retirement benefit which shall be equal to the participant's accrued benefit as of the date of termination and payable on the participant's normal retirement date. The participant may elect to receive a reduced retirement benefit beginning on the first day of any month subsequent to the participant's attainment of age 55. The reduction shall be 3% for each year by which payments commence prior to the first of the month following the participant's normal retirement date.
 - (ii) In lieu of (i), a participant may elect a current refund of accumulated contributions made by the participant.

Retirement Benefits - Participants hired before January 1, 2010 are eligible for normal retirement on the first of the month coincident with attainment of age 62. Participants hired after December 31, 2009 are eligible for normal retirement after attainment of age 62, but not before the completion of 60 months of continuous service. Participants hired after December 31, 2012 are eligible for normal retirement after attainment of age 62, but not before the completion of 96 months of continuous service.

If hired before January 1, 2010, the monthly benefit payable at normal retirement is equal to 2.22% times the final average monthly compensation, times years of credited service earned through December 31, 2012 and 2.00% times the final average monthly compensation, times years of credited service earned after December 31, 2012. If hired on or after January 1, 2010, the monthly benefit payable at normal retirement is equal to 2.00% times final average monthly compensation times years of credited service.

The normal retirement benefit will not be greater than 75% of the participant's final average monthly compensation if hired before January 1, 2013 and not greater than 60% of final average monthly compensation if hired on or after January 1, 2013. Final average compensation is the highest monthly average of considered compensation during the 36 consecutive calendar months of credited service out of the last 120 calendar months of credited service.

A participant is eligible for an early retirement benefit at age 55, provided the member has completed five or eight years of credited service. If the participant is hired before January 1, 2013, five years is required. If hired on or after January 1, 2013, eight years is required. The monthly pension is based on the vested portion of the normal retirement benefit, reduced by 3% for each year the early retirement date precedes the normal retirement date.

A participant is eligible for special early retirement benefits if the sum of the participant's age and credited service equals 75 or more. Employees hired on or after January 1, 2016 must be a minimum age of 50 to be eligible under this provision. The monthly benefit is equal to the normal retirement benefit and is not reduced for early commencement.

The annuity for delayed retirement is computed by the normal retirement formula considering credited service and compensation to actual retirement.

Disability Benefits - A participant is eligible for disability benefits if the participant's employment is terminated due to total and permanent disability as determined by eligibility for and receipt of disability benefits continuously until the normal retirement date under (1) the employer's long-term disability plan, or (2) Title II of the Federal Social Security Act. The annuity, payable at age 62, shall be calculated as for normal retirement considering the credited service that would have accrued had the participant been employed until the normal retirement date and the final average compensation during the calendar year preceding the year of the member's disability retirement.

Payment of Benefits - The monthly benefit, computed as set forth above, shall be paid in equal monthly payments commencing one month after the actual retirement date continuing at monthly intervals for the retired participant's lifetime thereafter. If the retired participant's death occurs prior to the payment of 120 monthly payments, the remainder of the 120 payments shall be paid to the participant's beneficiary.

Death Benefits Prior to Retirement - Death benefits prior to retirement are as follows:

In the event that an active participant or vested participant dies prior to their normal retirement date, the participant's surviving beneficiary will be entitled to either two times the participant's accumulated contributions payable immediately or a monthly benefit equal to 60% of the monthly retirement benefit earned by the member prior to the date of death. Payment of the monthly benefit to the beneficiary will begin on the first of the month following the death or the date the member would have attained age 55, if later.

Between normal and delayed retirement - In the event that a participant dies after their normal retirement date but prior to their actual retirement, their beneficiary will be entitled to a monthly benefit. Under these circumstances, the participant will be deemed to have retired on the first day of the month of their death. If no optional benefit had been elected prior to death, the participant shall be deemed to have elected the full joint and survivor benefit and such benefit shall be payable for the life of the participant's designated beneficiary, if living, following the participant's death.

Death Benefits After Retirement - Death benefits after retirement consist of a lump-sum benefit of \$3,000 payable upon the death of a retired participant.

Plan Termination - Although not presently contemplated, the Board has the right to terminate the Plan at any time, subject to limitations. In the event of termination, after payment of expenses, accumulated contributions would be returned to the participants, and the remaining assets distributed on a pro rata method to the participants based on accrued benefits. Participating employers would not receive any Plan assets.

B Net Pension Liability

The total pension liability was determined by an actuarial valuation as of December 31, 2015 using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of December 31, 2016. Adjustments to roll forward the total pension liability include service cost, interest on total pension liability and benefit payments. The net pension liability is the difference between the total pension liability and the fiduciary net position as of December 31, 2016.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of December 31, 2016:

Inflation	3.50%
Salary increases	Graded by service, from 7.76% to 3.75%
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.5% and a real rate of return of 4.5%.

Mortality rates were based on the RP-2000 sex-distinct mortality table projected generationally using Projection Scale AA, with a one year setback used for females. Mortality rates used for disabled members is based on the RP-2000 Disabled Mortality Table.

The actuarial assumptions used in the December 31, 2015 actuarial valuation were based on the results of an actuarial experience study for the period from January 1, 2008 to December 31, 2012, resulting in changes in actuarial assumptions adopted by the Board to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic rates or return for each major asset class included in the pension plan's target asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Long-Term Expected Real Rate of Return
Public equity	8.61%
Private equity	11.30%
Fixed income	0.72%
Real estate	6.57%
Hedge funds of funds	5.04%

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policy adopted by the Board. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Department's proportionate share of the net pension liability, calculated using the discount rate of 8.0%, as well as what the Department's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

Department's proportionate share of the net pension liability	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
	\$ 10,225,287	\$ 7,502,307	\$ 5,205,629

C Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Department reported a liability of \$7,502,307 for its proportionate share of the Plan's net pension liability. The Department's proportion of the net pension liability was based on its contributions to the Plan for the calendar year 2016 relative to the total contributions of participating employers to the Plan.

At December 31, 2016, the Department's proportion was 4.66%, which was a decrease of 0.19% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Department's portion of the Plan's recognized pension expense totaled \$873,965. At December 31, 2016, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ 227,417	\$ -
Net difference between projected and actual earnings on pension plan investments	649,776	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	419,899
Total	<u>\$ 877,193</u>	<u>\$ 419,899</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Deferred Amount
2017	\$ 164,834
2018	164,834
2019	171,407
2020	(43,781)
Total	<u>\$ 457,294</u>

12. **Long-term Debt**

The following is a summary of changes in long-term liabilities of the Department for the year ended December 31, 2016.

	Beginning balance 1/1/2016	Additions	Reductions	Ending balance 12/31/2016	Due within one year
Government Activity					
Compensated absences	\$ 966,144	\$ 1,153,221	\$ 1,185,857	\$ 933,508	\$ 170,446
Net pension liability	7,539,460	-	37,153	7,502,307	-
Long-term liabilities	<u>\$ 8,505,604</u>	<u>\$ 1,153,221</u>	<u>\$ 1,223,010</u>	<u>\$ 8,435,815</u>	<u>\$ 170,446</u>

13. Tax, Spending and Debt Limitation (TABOR)

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

In November 2004, the voters of El Paso County approved issue 1B at the general election which exempts the Department from the revenue limitations of TABOR.

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

Required Supplementary Information

EL PASO COUNTY PUBLIC HEALTH
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Charges to El Paso County for programs	\$ 3,285,804	\$ 3,285,804	\$ 3,285,804	\$ -
Intergovernmental and other grants	8,390,024	8,844,988	8,890,864	45,876
Licenses, fees, and permits	2,868,323	2,868,323	3,217,683	349,360
Interest income	2,000	2,000	18,479	16,479
Miscellaneous	22,042	22,042	56,347	34,305
Total Revenues	<u>14,568,193</u>	<u>15,023,157</u>	<u>15,469,177</u>	<u>446,020</u>
EXPENDITURES				
Personnel services	10,276,462	10,226,424	10,118,463	107,961
Operations	4,242,532	4,747,534	4,641,095	106,439
Total Expenditures	<u>14,518,994</u>	<u>14,973,958</u>	<u>14,759,558</u>	<u>214,400</u>
Net Change in Fund Balance	<u>\$ 49,199</u>	<u>\$ 49,199</u>	<u>\$ 709,619</u>	<u>\$ 660,420</u>

See the accompanying independent auditors' report.

EL PASO COUNTY PUBLIC HEALTH
 SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 LAST 3 FISCAL YEARS

El Paso County Public Health Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department's proportion (percentage) of the collective net pension liability	4.66%	4.85%	5.15%
Department's proportionate share of the collective pension liability	\$ 7,502,307	\$ 7,539,460	\$ 6,422,570
Covered payroll	\$ 6,587,399	\$ 6,445,453	\$ 6,654,364
Department's proportionate share of the net pension liability as a percentage of its covered payroll	113.89%	116.97%	96.52%
Plan fiduciary net pension as a percentage of the total pension liability	68.22%	67.55%	72.66%

10 years of data are not yet available for this schedule, additional years will be added as data becomes available to meet the requirements of GASB 68.

See the accompanying independent auditor's report.

EL PASO COUNTY PUBLIC HEALTH
 SCHEDULE OF THE DEPARTMENT'S
 CONTRIBUTIONS AND RELATED RATIOS
 LAST 3 FISCAL YEARS

El Paso County Public Health Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 526,992	\$ 515,782	\$ 531,101
Contributions in relation to the contractually required contribution	\$ 526,992	\$ 515,782	\$ 531,101
Contribution deficiency (excess)	-	-	-
Covered payroll	\$ 6,587,399	\$ 6,445,453	\$ 6,654,364
Contribution as a percentage of covered payroll	8.00%	8.00%	7.98%

10 years of data are not yet available for this schedule, additional years will be added as data becomes available to meet the requirements of GASB 68.

See the accompanying independent auditor's report.

1. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP and are appropriated for all government funds. All annual appropriations lapse at fiscal year end. Appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. While appropriations lapse as of the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the re-appropriation of year-end encumbrances if the Board of Health so chooses. Encumbrances outstanding as of December 31, 2016 do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Public Health's managers may make transfers of appropriations within a fund. Increases in overall expenditures require approval from the Board of Health. Public Health follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. A preliminary balanced budget is presented to the Board of Health.
- B. Prior to December 31, the budget is legally enacted through passage of an appropriation resolution.
- C. Any revisions that alter the total expenditures of any fund must be approved by the Board of Health by passage of a resolution.
- D. No fund had excesses of expenditures over appropriations for the year ended December 31, 2016.