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LAS ANIMAS-HUERFANO

COUNTIES, COLORADO

HEALTH DEPARTMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2016



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DIXON, WALLER & CO., INC.

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FINANCIAL STATEMENTS
DECEMBER 31, 2016

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Las Animas-Huerfano Counties
Health Department
Trinidad, CO 81082

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Las Animas-Huerfano Counties Health 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 each major fund of the Las Animas-Huerfano Counties Health Department as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through iv and 18 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Liton, Waller & Co., Inc.

June 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAS ANIMAS-HUERFANO COUNTIES DISTRICT HEALTH DEPARTMENT
Management's Discussion and Analysis
December 31, 2016

As management of Las Animas-Huerfano Counties District Health Department (the Health Department), we offer readers of the Health Department's financial statements this narrative overview and analysis of the financial activities of the Health Department for the fiscal year ended December 31, 2016.

Financial Highlights

The assets of Las Animas-Huerfano Counties District Health Department exceeded its liabilities at the close of the most recent fiscal year by \$607,600 (net position). Of this amount, \$573,044 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the Health Department's governmental fund reported an ending balance of \$609,260. Of this amount, \$593,289 is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Health Department's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements themselves. This report also contains other supplementary information.

Government-wide financial statements

The government-wide financial statements are designed to present the financial activities of the Health Department.

The statement of net position presents information on all of the Health Department's assets and liabilities, with the difference between the two as net position. This statement reports all of the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases in net position may serve as a useful indicator of whether the financial position of the Health Department is improving or deteriorating.

The statement of activities presents information showing how the Health Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Health Department include general administration, environmental health services, community health services, vital statistics and an acute care clinic. The Health Department has no business-type activities.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Health Department, like other state and local government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The governmental fund is used to account for all of the Health Department's activities.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Health Department's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental Statement of Net Position and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Health Department's budgetary comparison schedule for the General Fund which demonstrates compliance with the annual appropriated budget.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Health Department, assets exceed liabilities by \$607,600 at the close of the most recent fiscal year.

\$34,556 (5.7%) of department net position represents the investments in capital assets (e.g. building improvements and equipment). The Health Department uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

The remaining balance of unrestricted net position \$573,044 may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, the Health Department is able to report positive balances in all categories of net position.

Las Animas-Huerfano Counties District Health Department's Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Current and other assets	\$ 522,709	\$ 632,492
Capital Assets	<u>38,840</u>	<u>34,556</u>
Total Assets	\$ 561,549	\$ 667,048
Other Liabilities	\$ 46,047	\$ 59,448
Net Position		
Invested in capital assets	\$ 38,840	\$ 34,556
Unrestricted	<u>476,662</u>	<u>573,044</u>
Total Net Position	\$ <u>515,502</u>	\$ <u>607,600</u>

Las Animas-Huerfano Counties District Health Department's Change in Net Position

		<u>Governmental Activities</u>	
		<u>2015</u>	<u>2016</u>
Revenues:			
Program Revenues:			
General Revenues:			
Federal, State and Local Grants	\$	638,019	\$ 695,762
County Allocations		347,825	334,067
Charges for Services		176,173	191,159
Other Revenues		<u>952</u>	<u>0</u>
Total Revenues		1,162,969	1,220,988
Expenditures:			
Public Health		<u>978,734</u>	<u>1,128,890</u>
Increase (Decrease) in Net Position		184,235	92,098
Net Position, Beginning of the year		<u>331,267</u>	<u>515,502</u>
Net Position, end of year		<u>\$ 515,502</u>	<u>\$ 607,600</u>

Las Animas-Huerfano Counties District Health Department's Activities by Major Function

		<u>Governmental Activities</u>			
		<u>2015</u>		<u>2016</u>	
		<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Public Health Services		<u>\$978,734</u>	<u>\$164,542</u>	<u>\$1,128,890</u>	<u>\$241,969</u>

Financial Analysis of the Health Department's Fund

As noted earlier, The Health Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Health Department's governmental fund is to provide information on current year revenue, expenditures and balances of spendable resources. Such information is useful in assessing the Health Department's financing resources available for spending at the end of the fiscal year.

The general fund is the only governmental fund of the Health department. As of December 31, 2016, the Health Department General Fund reported an ending balance of \$609,260, of which \$593,289 constitutes unreserved fund balance, all of which is available for spending and the Health Department's discretion.

General Fund Budgetary Highlights

Differences between final amended budget and expenditures totaled \$32,370 (actual expenditures less than budgeted amounts) and can be briefly summarized as follows:

- The Health Department incurred personnel vacancy savings of \$85,274.
- There was increase in Revenue for Services & Fees in the amount of \$33,197. This is due to increase in Marijuana establishments and increase in Retail Food Establishment License Fees.
- The capture of Medicaid and Medicare funds increased by \$13,962.
- With the due diligence of staff, the utility cost rendered a savings of \$3,109.
- With the inclusion of grants purchasing equipment, the Health Department saw a savings of \$1,028.
- The agency saw a savings in advertising in the amount of \$3,993 due to grants picking up the costs.
- Travel and Training has increase by \$14,449 due to CTC, FDA, and HuLA grants paying for travel of staff and early child care professional development trainings.

Capital Assets

The Health Department's investment in capital assets for its governmental activities as of December 31, 2016 amounted to \$34,556 net of accumulated depreciation. This investment in capital assets includes buildings and equipment.

Las Animas-Huerfano Counties District Health Department (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Buildings	\$ 36,233	\$ 33,969
Equipment & Vehicles	<u>2,607</u>	<u>587</u>
Total	\$ <u>38,840</u>	\$ <u>34,556</u>

Requests for information

The financial report is designed to provide a general overview of the Las Animas-Huerfano Counties District Health Department's finances for all interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Las Animas-Huerfano Counties District Health Department
Business Manager
412 Benedicta Avenue
Trinidad, CO 81082-2005

BASIC FINANCIAL STATEMENTS

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Total</u>
<u>Assets</u>		
Cash	497,287	497,287
Receivables (Net, where Applicable, of Allowance for Uncollectibles):		
Accounts and Grants	119,234	119,234
Inventories	15,971	15,971
Prepaid Expense	-	-
Fixed Assets	228,961	228,961
Accumulated Depreciation	(194,405)	(194,405)
<u>Total Assets</u>	<u>667,048</u>	<u>667,048</u>
 <u>Deferred Outflow of Resources</u>	 -	 -
 <u>Liabilities</u>		
Accounts Payable	23,232	23,232
Compensated Absences Payable	36,216	36,216
<u>Total Liabilities</u>	<u>59,448</u>	<u>59,448</u>
 <u>Deferred Inflow of Resources</u>	 -	 -
 <u>Net Position</u>		
Net Investment in Capital Assets	34,556	34,556
Unrestricted	573,044	573,044
<u>Total Net Position</u>	<u>607,600</u>	<u>607,600</u>

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

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
<u>Governmental Activities</u>						
Public Health	1,128,890	191,159	695,762	-	(241,969)	(241,969)
<u>Total Governmental Activities</u>	<u>1,128,890</u>	<u>191,159</u>	<u>695,762</u>	<u>-</u>	<u>(241,969)</u>	<u>(241,969)</u>
<u>Total Primary Government</u>	<u>1,128,890</u>	<u>191,159</u>	<u>695,762</u>	<u>-</u>	<u>(241,969)</u>	<u>(241,969)</u>
		<u>General Revenues:</u>				
					334,067	334,067
					-	-
		<u>Total General Revenues and Transfers</u>			<u>334,067</u>	<u>334,067</u>
					92,098	92,098
					515,502	515,502
					607,600	607,600

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

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS:</u>			
Cash	497,287	-	497,287
Receivables (Net, of Allowance where Applicable):			
Accounts and Grants	119,234	-	119,234
Inventory	15,971	-	15,971
Prepaid Expense	-	-	-
<u>Total Assets</u>	<u>632,492</u>	<u>-</u>	<u>632,492</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
<u>Liabilities:</u>			
Accounts Payable	<u>23,232</u>	<u>-</u>	<u>23,232</u>
<u>Total Liabilities</u>	<u>23,232</u>	<u>-</u>	<u>23,232</u>
<u>Fund Balances:</u>			
Nonspendable:			
Inventories	15,971	-	15,971
Prepaid Expense	-	-	-
Restricted:			
Emergencies	-	-	-
Unassigned	<u>593,289</u>	<u>-</u>	<u>593,289</u>
<u>Total Fund Balances</u>	<u>609,260</u>	<u>-</u>	<u>609,260</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>632,492</u>	<u>-</u>	<u>632,492</u>

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

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Amounts reported for governmental activities in the statement of the net position are different because:

<u>Total Fund Balance – Governmental Funds</u>	609,260
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$228,961 and the accumulated depreciation is \$194,405.	34,556
Compensated absences are not reported as a liability in the funds.	<u>(36,216)</u>
<u>Total Net Position – Governmental Activities</u>	<u>607,600</u>

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

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>			
Federal and State Grants	695,762	-	695,762
Intergovernmental Revenues – Counties	334,067	-	334,067
Charges for Services, Licenses and Permits	<u>191,159</u>	<u>-</u>	<u>191,159</u>
<u>Total Revenues</u>	<u>1,220,988</u>	<u>-</u>	<u>1,220,988</u>
<u>EXPENDITURES:</u>			
Public Health			
Administration	280,317	-	280,317
Environmental Health	118,253	-	118,253
Public Health	182,501	-	182,501
Vital Stats	85,283	-	85,283
WIC	44,317	-	44,317
Healthy Communities	34,957	-	34,957
Emergency Preparedness	41,759	-	41,759
Radon	3,094	-	3,094
HuLA	89,122	-	89,122
Infant/Toddler	94,255	-	94,255
CTC	39,725	-	39,725
ASTHO	25,831	-	25,831
All Other Programs	<u>77,918</u>	<u>-</u>	<u>77,918</u>
<u>Total Expenditures</u>	<u>1,117,332</u>	<u>-</u>	<u>1,117,332</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>103,656</u>	<u>-</u>	<u>103,656</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Other	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	103,656	-	103,656
<u>FUND BALANCES – Beginning</u>	<u>505,604</u>	<u>-</u>	<u>505,604</u>
<u>FUND BALANCES - Ending</u>	<u>609,260</u>	<u>-</u>	<u>609,260</u>

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

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances – Total Governmental Funds 103,656

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays more than \$2,500	-	
Depreciation expense	(4,284)	(4,284)

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences changed by this amount. (7,274)

Change in Net Position of Governmental Activities 92,098

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

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The reporting entity, for financial purposes, is defined as the primary government (the Las Animas - Huerfano Counties, Colorado Health Department) and its component units. The Department has no component units; the financial statements are comprised of the funds and account groups more fully described in subsequent information contained in the footnotes.

The accounting policies of the Las Animas - Huerfano Counties, Colorado Health Department conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B. Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the Department's legally separate *component units* for which the Department is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *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 and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Department reports the following major governmental funds:

The *general fund* is the Department's primary operating fund. It accounts for all financial resources of general government.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	3-15
Buildings	27

E. Budgets and Budgetary Accounting

The Department has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget for the fiscal year commencing the following January 1 is developed. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at the end of the year.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventories are recorded as expenditures when they are used.

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has been reflected in the statement of net position for all governmental fund types.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expense during the reporting period. Actual results could differ from those estimates.

J. Deposits and Investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Department to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

K. Deferred Outflows / Inflows 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.

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 inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as charges when incurred.

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Directors (the Department's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The Department's Committed Fund Balance is fund balance reporting required by the Board, either because of a Board Policy in the Board Policy Manual, or because of motions that passed at Board meetings.

Assigned Fund Balance Policy:

The Department's Assigned Fund Balance is fund balance reporting occurring by Board authority, under the direction of the Chief Business Officer.

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. GASB Statement No. 54 (continued)

Order of Fund Balance Spending Policy:

The Department's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>
Nonspendable	
Inventories	15,971
Unassigned	<u>593,289</u>
Total Fund Balances	<u><u>609,260</u></u>

NOTE 2 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Being Depreciated:				
Building	97,653	-	-	97,653
Equipment	82,382	-	-	82,382
Vehicles	<u>48,926</u>	-	-	<u>48,926</u>
Total Capital Assets Being Depreciated	<u>228,961</u>	-	-	<u>228,961</u>
Less Accumulated Depreciation for:				
Buildings	61,420	2,264	-	63,684
Equipment	80,721	1,074	-	81,795
Vehicles	<u>47,980</u>	<u>946</u>	-	<u>48,926</u>
Total Accumulated Depreciation	<u>190,121</u>	<u>4,284</u>	-	<u>194,405</u>
<u>Governmental Activities</u>				
Capital Assets, Net	<u>38,840</u>	<u>(4,284)</u>	-	<u>34,556</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
Public Health	4,284
Total Depreciation Expense – Governmental Activities	<u>4,284</u>

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

NOTE 4 ACCOUNTS RECEIVABLE

The following is a schedule of accounts receivable at December 31, 2016:

State Per Capita	33,390
Huerfano County TANF	4,500
Infant/Toddler	12,978
Emergency Preparedness	4,236
CTC	18,902
WIC Program	15,512
HuLA	7,631
Healthy Communities	11,924
State Public Health Programs and Other Receivables	<u>10,161</u>
	119,234
Less: Allowance for Doubtful Accounts	-
<u>Net Accounts Receivable</u>	<u>119,234</u>

NOTE 5 ACCRUED COMPENSATED ABSENCES

At December 31, 2016, there was \$36,216 of accrued vacation and sick leave payable.

NOTE 6 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new 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.

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS (continued)

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. (The Department's management believes none of its operations qualified for this exclusion.)

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voters approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

The Department is a cooperative entity that exists for the purpose of administering programs to benefit the Huerfano and Las Animas County areas. They have no taxing authority, and no bonded debt. They are primarily funded by federal grants, state grants and local county contributions and are not subject to reserve requirements.

The Department's management believes it is in compliance with the provisions of TABOR which are applicable to this entity. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

NOTE 7 RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The Department maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

LAS ANIMAS-IIUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8 CASH DEPOSITS

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local governments deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized.

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

At December 31, 2016, the Department's cash deposits had a bank balance and a corresponding carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured (FDIC)	60,621	37,431
Uninsured, collateralized under the Public Deposit Protection Act (See Above)	-	-
Cash with County Treasurer	-	<u>459,856</u>
<u>Total Cash</u>	<u>60,621</u>	<u>497,287</u>

As presented above, deposits with a bank balance of \$ -0- and a carrying balance of \$ -0- as of December 31, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 9 DEFINED CONTRIBUTION PENSION PLAN

The Department provides pension benefits for full time employees through a defined contribution plan of the Colorado County Officials and Employees Retirement Association. Six months of service is required previous to participation in the plan. Employees contribute 3% of their salary to the plan with an equal amount contributed by the Department. Vesting occurs at the rate of 20% per year. Past service credit, for vesting purposes, was allowed to all employees of the Department at plan inception. Department contributions for, and earnings forfeited by, employees who leave employment before fully vesting are returned to the Department. The Department's total payroll for year 2016 was \$569,635. The salary on which contributions were calculated was \$517,633. The Department and employees each made the required 3% contribution of \$15,529 or \$31,058 in total. The Department recognized \$15,529 in pension expense for 2016, which is net of \$0 in forfeitures. The Department has no outstanding pension liability at year end.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

LAS ANIMAS - HUERFANO COUNTIES, COLORADO HEALTH DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<u>REVENUES</u>				
<u>State Contracts</u>				
Federal and State Grants and Contracts	480,111	577,591	561,926	(15,665)
Per Capita Funding	134,113	134,114	133,836	(278)
<u>County Contributions</u>				
Huerfano	117,297	117,297	117,297	-
Las Animas	219,321	219,321	216,770	(2,551)
<u>Fees</u>				
Charges for Services	139,000	139,000	172,197	33,197
Medicare/Medicaid	5,000	5,000	18,962	13,962
<u>TOTAL REVENUES</u>	<u>1,094,842</u>	<u>1,192,323</u>	<u>1,220,988</u>	<u>28,665</u>
<u>EXPENDITURES</u>				
<u>Public Safety</u>				
Wages and Benefits	780,978	853,937	768,663	85,274
Lab and Xray	500	500	314	186
Drugs	10,000	10,000	17,295	(7,295)
Clinic Supplies	2,089	2,489	3,863	(1,374)
Equipment	9,063	19,374	18,346	1,028
Travel and Training	20,658	35,170	49,619	(14,449)
Legal and Audit	7,000	5,850	6,260	(410)
Services Rendered	47,700	65,628	67,935	(2,307)
Office Supplies	12,000	20,011	29,889	(9,878)
Educational Supplies	43,103	37,921	61,633	(23,712)
Telephone	12,700	13,150	12,741	409
Postage	1,492	1,192	2,078	(886)
Duplication	7,269	5,805	6,874	(1,069)
Insurance	6,000	6,000	7,691	(1,691)
Miscellaneous	4,900	4,653	2,931	1,722
Advertising	3,450	13,072	9,079	3,993
Repairs and Maintenance	21,000	21,000	21,380	(380)
Rent	16,200	16,300	16,200	100
Utilities	16,600	17,650	14,541	3,109
Indirect Cost	51,848	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>1,074,550</u>	<u>1,149,702</u>	<u>1,117,332</u>	<u>32,370</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>20,292</u>	<u>42,621</u>	<u>103,656</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Other	-	-	-	-
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</u>	<u>20,292</u>	<u>42,621</u>	<u>103,656</u>	
<u>FUND BALANCE, January 1</u>	<u>-</u>	<u>-</u>	<u>505,604</u>	
<u>FUND BALANCE, December 31</u>	<u>20,292</u>	<u>42,621</u>	<u>609,260</u>	

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