

***PUEBLO CITY-COUNTY HEALTH DEPARTMENT***  
***FINANCIAL STATEMENTS***  
***AND***  
***REQUIRED SUPPLEMENTAL INFORMATION***  
***AND***  
***ADDITIONAL INFORMATION***  
***WITH***  
***INDEPENDENT AUDITORS' REPORTS***  
***DECEMBER 31, 2016***



**RECEIVED**

By the Office of the State Auditor at 7:52 am, Aug 16, 2017

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	4
<b>Financial Statements</b>	
<b>Government-wide Financial Statements</b>	
Statement of net position	8
Statement of activities	9
<b>Fund Financial Statements</b>	
Governmental Fund	
Balance Sheet	10
Reconciliation of governmental fund balance sheet to the statement of net position	11
Statement of revenues, expenditures, and changes in fund balance	12
Reconciliation of the governmental fund statement of revenues, expenditures, and changes in fund balance	13
<b>Notes to Financial Statements</b>	14
<b>Required Supplemental Information</b>	
Schedule of revenues, expenditures, and changes in fund balance, budget and actual - general fund	38
Notes to budgetary comparison schedule	39
Schedule of the proportionate share of the net pension liability	40
Schedule of employer contributions	41
<b>Additional Information</b>	
Schedule of expenditures of federal awards	42
Notes to schedule of expenditures of federal awards	44
<b>Independent Auditors' Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i></b>	45
<b>Independent Auditors' Report on compliance for each major program and on internal control over compliance required by the uniform guidance</b>	47
Schedule of findings and questioned costs	49

**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE  
COLORADO SPRINGS, COLORADO 80903-1005

JEFFREY S. ROSACKER, CPA – PARTNER  
MITCHELL K. DOWNS, CPA, ABV – PARTNER  
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321  
FAX (719) 636-2517  
WEB WWW.SPRINGSCPA.COM

**INDEPENDENT AUDITORS' REPORT**

Board of Health  
Pueblo City-County Health Department  
101 West 9th Street  
Pueblo, Colorado 81003-4103

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pueblo City-County Health Department (Health Department) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Health 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to an entity's preparation and fair presentation of the financial statement 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 an 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.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

Page 2

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

### **Opinion**

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 Health Department as of December 31, 2016, and the respective change in financial position thereof for the year then ended in conformity 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 and pension and other postemployment benefits information, as listed in the table of contents, 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 inquires 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Department's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financials statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

Page 3

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017 on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of the 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 Health Department's internal control over financial reporting and compliance.

In accordance with the Uniform Guidance, we have also issued our report dated June 26, 2017, on our opinion of compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect for each of the Health Department's major federal programs. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. That report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* in considering the Health Department's compliance for each major federal program.

*Osborne, Parsons & Nosucha LLP*

Colorado Springs, Colorado

June 26, 2017

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

As management of the Pueblo City-County Health Department, we offer readers this discussion and analysis in order to provide a financial performance overview of Pueblo City-County Health Department's financial activities for the Fiscal Year ended December 31, 2016. We encourage readers to use the information presented here in conjunction with the financial statements that follow this narrative.

***Fund Financial Highlights***

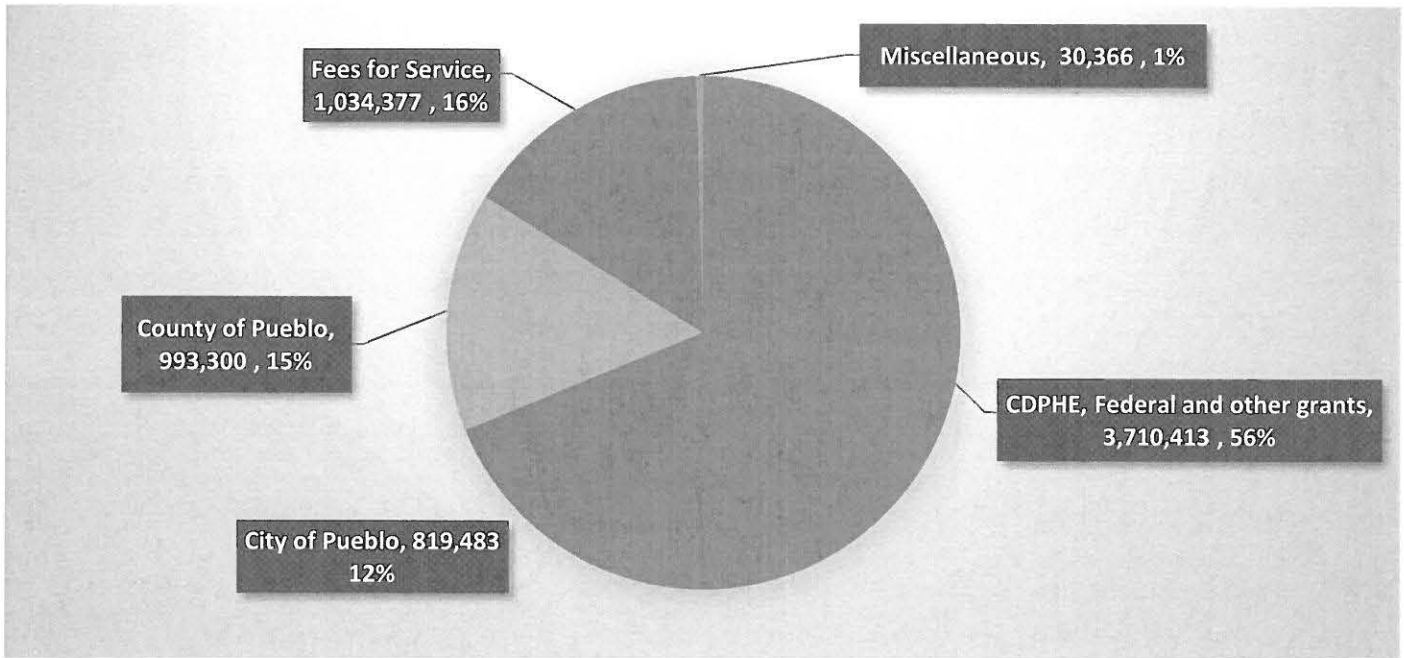
The Pueblo City-County Health Department is organized on the basis of funds, each considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

- The assets of the primary government of the Pueblo City-County Health Department exceeded its liabilities by \$2,167,608 at the close of the fiscal year. Of this amount, \$1,774,592 may be used to meet the Department's ongoing obligations.
- The total assets of the primary government of the Department increased by \$216,740 due to an increase in prepaid items and unearned grants that were received in cash but not yet recorded as revenue. Normal operating liabilities increased by \$23,296. Total fund balance increased by the change in which revenues exceeded expenditures by \$193,594.
- Total revenues increased by 1% or approximately \$71,000 which was due to an increase in operating grants and charges for services. Expenditures decreased by 3% or approximately \$249,000 due to a decrease in salaries and related benefit payments as well as a decrease in contractual services to the medical officer due to a change in the contractual scope of work.

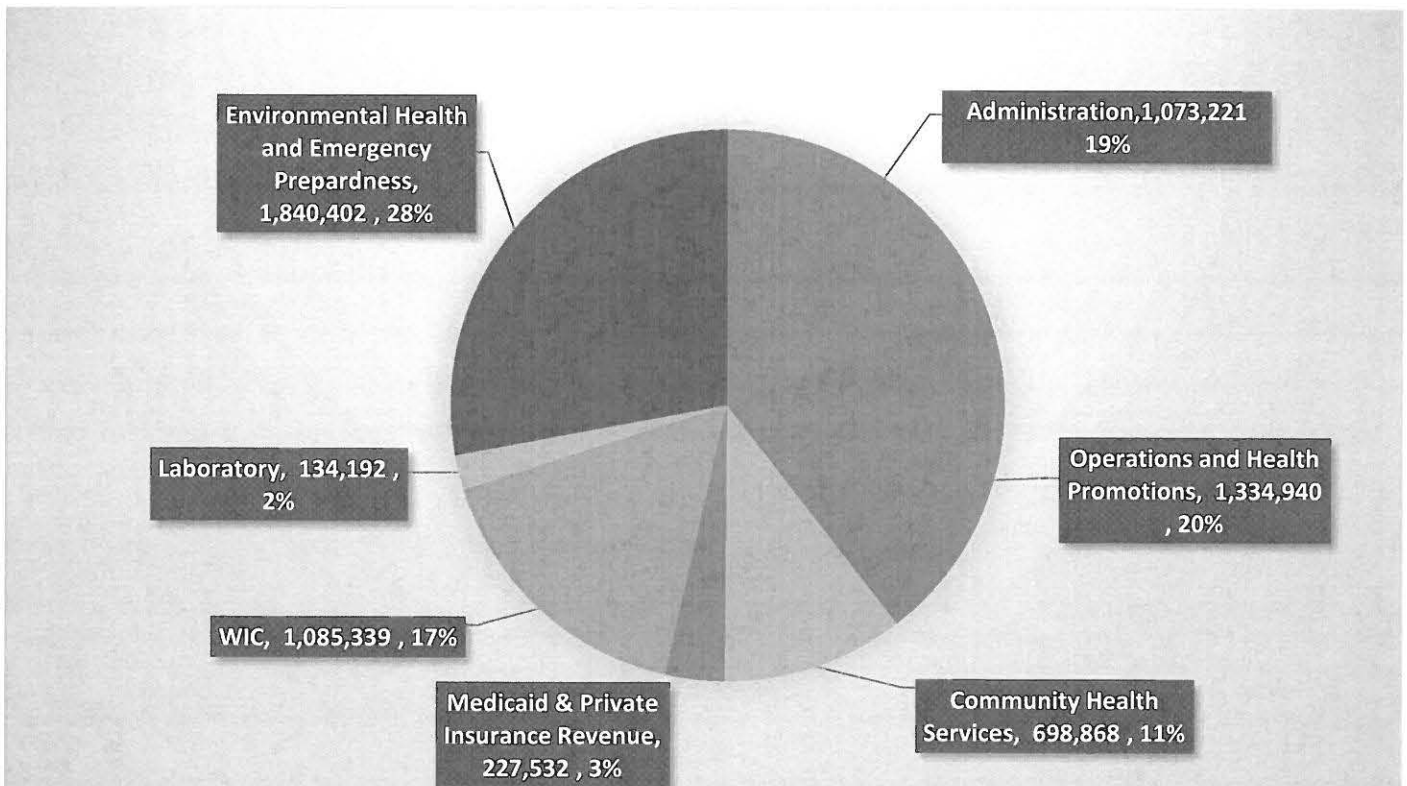
***Overview of the Financial Statements***

Pueblo City-County Health Department is funded from a variety of sources. In 2016, the percentage of monies received from each of these sources is shown below:

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**



The revenues from the above sources were distributed in the following manner:



**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

***Government-wide Statement***

The Statement of Net Position presents information on the Pueblo City-County Health Department's assets and liabilities, with the difference between the two reported as "net position." Increases or decreases in net position may serve as a useful indicator as to whether the financial condition of the Department is improving or deteriorating over time.

The following table reflects the condensed Statement of Net Position compared to the prior Fiscal Year.

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 2,554,821	\$ 2,338,081
Capital assets	396,974	424,275
Total assets	<u>\$ 2,951,795</u>	<u>\$ 2,762,356</u>
Deferred outflows of resources	<u>\$ 1,962,235</u>	<u>\$ 865,673</u>
Current liabilities	\$ 387,213	\$ 412,978
Pension liability	7,300,177	6,654,330
Long-Term liabilities	451,633	394,293
Total liabilities	<u>\$ 8,139,023</u>	<u>\$ 7,461,601</u>
Deferred inflows of resources	<u>\$ 133,974</u>	<u>\$ 1,336</u>
Net position (Deficit):		
Invested in capital assets	\$ 396,974	\$ 424,275
Restricted	41,990	20,616
Unrestricted	(3,797,931)	(4,279,799)
Total net position (Deficit)	<u>\$ (3,358,967)</u>	<u>\$ (3,834,908)</u>

The Statement of Activities presents information showing how the Pueblo City-County Health Department's net assets changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or a liability is incurred. For example, items such as the value of earned but unused vacation leave will be recorded as an expense of the current period even though the actual use of the vacation time may not be used until subsequent periods.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

The following table reflects the condensed Statement of Activities compared to the prior Fiscal Year.

	<b>2016</b>	<b>2015</b>
<b>Expenditures:</b>		
Health and Welfare		
Administrative support	\$ 1,505,402	\$ 1,690,496
Disease prevention and emergency preparedness	1,028,140	1,700,053
Community health services	1,787,701	2,103,900
Environmental health	1,790,755	1,564,413
Total Expenditures	\$ 6,111,998	\$ 7,058,862
 <b>Revenues:</b>		
Program revenues		
Charges for services	\$ 1,034,377	\$ 968,505
Intergovernmental grants	5,397,642	3,477,877
Other grants	125,554	294,855
General revenues:		1,753,783
Intergovernmental		
Investment earnings	5,388	1,834
Other revenues	24,978	15,751
Total Revenues	\$ 6,587,939	\$ 6,512,605

***Economic Factors and Next Year's Budget***

The Pueblo City-County Health Department provides critical services to the citizens within the City of Pueblo and Pueblo County. The costs of these services continue to rise due to inflation. The Health Department is planning for an increase in revenues in 2017. This increase is attributed to additional contracts awarded from the Colorado Department of Public Health and Environment and other agencies as well as the continued research of new funding sources that will contribute to the Public Health needs of the community. The change in Net Position is a result of adoption of GASB 68. A balanced budget was adopted for 2017, which was attainable due to decreases in personnel and contractual services as well as an increase in revenue sources.

***Request for Information***

This financial report is designed to provide a general overview of the Pueblo City-County Health Department's finances for all interested parties. Questions concerning any information provided in this report or requests should be addressed to the Pueblo City-County Health Department Fiscal Officer, 101 West 9th Street, Pueblo, CO 81003.

***FINANCIAL STATEMENTS***

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
GOVERNMENT-WIDE FINANCIAL STATEMENT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 616,298
Investments	1,016,773
Accounts receivable	812,429
Prepaid items	109,321
Capital assets, net of depreciation	396,974
<b>Total assets</b>	<u><u>\$ 2,951,795</u></u>
 <b>Deferred outflows of resources</b>	 <u><u>\$ 1,962,235</u></u>
 <b>Liabilities</b>	
Accounts payable	\$ 89,824
Due to other governments	15,464
Accrued liabilities	12,135
Prepaid fees and grants	269,790
Net pension liability	7,300,177
Long-term liabilities	
Due within one year:	
Compensated absences	6,097
Due in more than one year:	
Compensated absences	445,536
<b>Total liabilities</b>	<u><u>\$ 8,139,023</u></u>
 <b>Deferred inflows of resources</b>	 <u><u>\$ 133,974</u></u>
 <b>Net position</b>	
Net investment in capital assets	396,974
Restricted	41,990
Unrestricted	(3,797,931)
<b>Total net position</b>	<u><u>\$ (3,358,967)</u></u>

See notes to financial statements

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
GOVERNMENT-WIDE FINANCIAL STATEMENT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>Expenses</b>	
Health and welfare	
Administrative support	\$ 1,505,402
Disease prevention and emergency preparedness	1,028,140
Community health services	1,787,701
Environmental health	<u>1,790,755</u>
<b>Total expenses</b>	<u><u>\$ 6,111,998</u></u>
<b>Program Revenues</b>	
Charges for services	1,034,377
Operating grants and contributions	
City of Pueblo-special allocation	819,483
County of Pueblo-special allocation	993,300
Intergovernmental specific grants	3,584,859
Contributions and private grants	125,554
Other	<u>24,978</u>
<b>Total program revenue</b>	<u><u>6,582,551</u></u>
<b>General revenues</b>	
Investment earnings	<u>5,388</u>
<b>Change in net position</b>	475,941
<b>Net position - beginning</b>	(3,834,908)
<b>Net position - ending</b>	<u><u>\$ (3,358,967)</u></u>

See notes to financial statements

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
BALANCE SHEET  
GOVERNMENTAL FUND - GENERAL FUND  
DECEMBER 31, 2016**

**ASSETS**

Cash and cash equivalents	\$ 616,298
Investments	1,016,773
Accounts receivable	812,429
Prepaid items	<u>109,321</u>
<b>Total assets</b>	<b>\$ <u>2,554,821</u></b>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 89,824
Due to other governments	15,464
Accrued liabilities	12,135
Prepaid fees	<u>269,790</u>
<b>Total liabilities</b>	<b>\$ <u>387,213</u></b>

**Fund balance**

Nonspendable	109,321
Restricted	41,990
Committed	241,705
Unassigned	<u>1,774,592</u>
<b>Total fund balance</b>	<b>\$ <u>2,167,608</u></b>

<b>Total liabilities and fund balance</b>	<b>\$ <u>2,554,821</u></b>
---	----------------------------

See notes to financial statements

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUND - GENERAL FUND  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Total fund balance - governmental fund** \$ 2,167,608

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

The net pension liability and related deferred items are not available for current period expenditures and are therefore not reported in the funds.

Net pension liability	(7,300,177)
Deferred outflows of resources - pension	1,962,235
Deferred inflows of resources - pension	(133,974)

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.

Capital assets	1,916,843
Accumulated depreciation	(1,519,869)

Liabilities regarding compensated absences are not due and payable in the current period, and therefore are not reported as liabilities in the general fund.

(451,633)

<b>Total net position - governmental activities</b>	<b>\$ <u><u>(3,358,967)</u></u></b>
---	-------------------------------------

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

**Expenditures**

Health and Welfare	
Administrative support	\$ 1,365,836
Disease prevention and emergency preparedness	1,113,858
Community health services	1,945,712
Environmental health	1,857,535
Capital outlay	111,554
<b>Total expenditures</b>	<u>6,394,495</u>

**Program revenues**

Charges for services	1,034,377
Operating grants and contributions	
City of Pueblo-special allocation	819,483
County of Pueblo-special allocation	993,300
Intergovernmental specific grants	3,584,859
Contributions and private grants	125,554
Other	24,978
<b>Total program revenues</b>	<u>6,582,551</u>

**General revenue**

Investment earnings	<u>5,388</u>
---------------------	--------------

<b>Net revenues</b>	<u>6,587,939</u>
---------------------	------------------

<b>Net change in fund balance</b>	193,444
-----------------------------------	---------

<b>Fund balance - beginning</b>	<u>1,974,164</u>
---------------------------------	------------------

<b>Fund balance - ending</b>	<u><u>\$ 2,167,608</u></u>
------------------------------	----------------------------

See notes to financial statements

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2016**

**Total net change in fund balance - governmental funds** \$ 193,444

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Depreciation expense	(138,855)
Capital outlay	111,554

Changes in the net pension liability do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (184,051)

Current year contributions to PERA under GASB 68 are not considered pension expense for the statement of activities, but are an expenditure on the statement of revenue and expenditures. 502,128

Governmental funds report compensated absences as expenses when paid. However, in the statement of activities the expense is accrued.

Prior year compensated absences payable	443,354
Current year compensated absences payable	(451,633)

<b>Change in net position - governmental activities</b>	<b>\$ 475,941</b>
---	-------------------

***NOTES TO FINANCIAL STATEMENTS***

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pueblo City-County Health Department (Health Department) was established on April 10, 1952, by an intergovernmental agreement between the City of Pueblo and the County of Pueblo. The Health Department operates under the provisions of Colorado Revised Statutes (CRS) 1973, 25-1-504. The governing body of the Health Department is composed of five members, two of which are appointed by the City of Pueblo, two are appointed by the County of Pueblo, and one member is jointly appointed. The governing body of the Health Department appoints the Public Health Director, and the Public Health Director appoints all other personnel. The intergovernmental agreement requires the governing body of the Health Department to submit a proposed annual operating budget to the City of Pueblo and the County of Pueblo. The City and County individually determine the amount of their respective annual subsidies for the Health Department. The intergovernmental agreement also stipulates that the participants shall endeavor to appropriate funds to the Health Department that are reasonable, fair, and equitable to all parties.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and financial reporting principles.

The more significant accounting and reporting principles and practices used by the Health Department are described below.

**Reporting Entity** - The Health Department follows generally accepted accounting principles (GAAP) that provide guidance for determining which activities, organizations and functions should be included within the financial reporting entity. GAAP establishes financial accountability as the basic criterion for including a possible component organization in a primary government's legal entity. Financial accountability includes, but is not limited to; ability to appoint a majority of the organization's governing body, ability to impose its will on the organization, and potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The Health Department does not have any component units.

As stated above, the Health Department operates under the provisions of CRS 1973, 25-1-504. The Health Department is not considered a component unit of the City of Pueblo or County of Pueblo for their annual financial reporting.

**Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements** - The government-wide financial statements report information on all of the nonfiduciary activities of the Health Department. The degree of to which the direct expense of a given function or segment is offset by program revenues (i.e., the statement of activities).

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

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The government-wide focus is more on the sustainability of the Health Department as an entity and the change in aggregate financial position resulting from activities of the fiscal period. The focus of the fund financial statements is on the major individual fund.

Since the Health Department does not operate any enterprise fund or internal service fund activities, no proprietary funds are included in this report. The General Fund, because it is considered a major governmental fund and is the Health Department's only fund.

***Fund Financial Statements*** - The accounts of the Health Department are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Health Department reports the following major governmental fund:

***General Fund*** – The General Fund is the primary operating fund of the Health Department. It accounts for general operating financial resources of the Health Department and all operating expenditures are recorded in this fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under 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 collected within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the Health Department generally considers revenue to be available if collected within 60 days of the end of the current fiscal period. In applying the measurable and available concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditures are generally 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. General capital asset acquisitions are reported as expenditures in governmental funds while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued**

Grant and entitlement revenues, interest, and charges for services are considered revenues susceptible to accrual. Other receipts are generally not susceptible to accrual because they are not generally measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents consist of non-interest bearing demand deposits. Investments include deposits with Colorado Local Government Liquid Asset Trust (ColoTrust) investment pool and Colorado Surplus Asset Fund Trust (C-Safe) investment pool.

**Prepaid Fees and Grants** - Prepaid items represent payments made for expenditures to be charged to a future accounting period. Prepaid grants represents amounts collected for specified expenditures that have not been incurred yet.

**Capital Assets** - Capital assets of the Health Department consist primarily of furniture and fixtures, computer hardware and software, and equipment and leasehold improvements, used in the routine operations of the Health Department. Durable items with a useful life greater than one year and a cost greater than \$500 are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

The following is the Health Department's assets depreciated over their estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Furniture and fixtures	5-10
Computer hardware and software	3
Equipment	3-10
Improvements	20

**Compensated Absences** - Health Department employees hired prior to January 1, 2004, may accumulate vacation and sick leave subject to certain limitations regarding total accumulations and the amount that will be paid upon separation from service.

Health Department employees hired on or after January 1, 2004, may accumulate vacation and sick leave subject to certain limitations regarding total accumulations and the amount that will be paid upon separation from service.

Compensated absences are expected to be liquidated with available financial resources, and are reported as an expenditure and fund liability, of the General Fund when amounts are due.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Long-Term Liabilities** - In the government-wide financial statements, long-term debt and other similar long-term obligations are reported as liabilities of the General Fund in the applicable statement of net position.

**Fund Equity** - The Health Department adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, on January 1, 2011. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As such, governmental funds report fund balances in classifications based primarily on the extent to which the Health Department is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance for the Health Department's governmental fund consists of the following:

- *Nonspendable* - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.
- *Restricted* - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.
- *Committed* - includes amounts that can only be used for the specific purposes determined by the passage of a resolution of the Health Department's board of directors. Commitments may be modified or changed only by the Health Department's board of directors approving a new resolution.
- *Assigned* - includes amounts intended to be used by the Health Department for specific purposes that are neither restricted nor committed. Intent is expressed by the Department's board of directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's balance.
- *Unassigned* - this is the residual classification for the General Fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

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

- *Net investment in capital assets* - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction, or improvement of capital assets.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fund Equity - Continued**

- *Restricted* - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- *Unrestricted* - this classification represents the remainder of net assets that do not meet the definition of “invested in capital assets, net of related debt”, or “restricted net assets.”

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Deferred Outflows/Inflows of Resources** - This separate financial statement element, *deferred outflows of resources, and deferred inflows of resources* represents a consumption or acquisition of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) or an inflow (revenue) until that time.

**Legal Compliance – Budgets** - A formal budget for the General Fund is adopted for each calendar year upon approval by the Board of Health. Management may request the Board of Health adopt supplemental appropriations, when the need arises, but cannot amend the adopted budget. No requests from the Board of Health were made in 2016 for supplemental appropriations.

**NOTE 1 – CASH, CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS**

Cash, cash equivalents, and investments are summarized as follows:

Cash on hand	\$	169,780
Demand deposits		13,888
Deposit with County Treasurer		432,630
Total cash and cash equivalents	\$	616,298

**Deposits** - At December 31, 2016, the carrying amount of the Health Department’s deposits, including deposits with County Treasurer, was \$616,448, and the bank balance was \$820,818. Of the bank balance, \$262,646 was covered by federal depository insurance and \$431,110 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires all public monies be deposited in financial institutions that have been designated as eligible public depositories. Eligible public depositories must pledge qualifying collateral as security for all public deposits held by that institution that are not insured by depository insurance. The market value of the

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – CASH, CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS- CONTINUED**

collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution. Custodial credit risk is the risk that, in the event of bank failure, the Health Department’s deposits may not be returned to it. The Health Department does not have a policy for custodial credit risk. As of December 31, 2016, deposits with a bank balance of \$431,110 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution’s agent in the Health Department’s name or County Treasurer.

**Investments** - The Health Department is subject to the provision of Colorado Revised Statutes 24-75-601 entitled “Concerning Investment in Securities by Public Entities.” This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers’ acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period. Investment pools totaling \$1,016,773 as noted above include \$452,050 of funds held in the ColoTrust Plus+ investment pool and \$564,723 of funds held in the C-Safe investment pool.

Both ColoTrust Plus+ and C-Safe are local government investment pools that are not registered with the SEC as investment companies, but both have policies that provide that they will and do operate in a manner consistent with the SEC’s rule 2a7 of the ‘Investment Company Act of 1940’. Rule 2a7 allows SEC-registered mutual funds to use amortized costs rather than market value in computing share prices if certain conditions are met. The regulatory oversight for both pools rests with the Colorado Securities Commission and the fair value of the Health Department’s investment in these two pools is the same as the value of the pool shares.

As of December 31, 2016, the following summarizes the investments and maturities of the Health Department:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investments with Less Than One Year Maturities</b>
Colo Trust Plus+	\$ 452,050	\$ 452,050
C-Safe	564,723	564,723
Total Investments	\$ 1,016,773	\$ 1,016,773

**Interest rate risk** - The Health Department’s policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – CASH, CASH EQUIVALENTS, INVESTMENTS, AND DEPOSITS- CONTINUED**

**Credit risk** - The Health Department does not have an investment policy that would further limit its investment choices beyond the requirements of Colorado statutes. As of December 31, 2016, the County's investments, in ColoTrust Plus+ and C-SAFE, were rated AAAM by Standard & Poor's.

**NOTE 2 – RECEIVABLES**

Receivables at December 31, 2016, consist of the following:

Colorado Department of Health		\$	606,745
Other			205,684
			812,429
		\$	812,429

**NOTE 3 - CAPITAL ASSETS**

An analysis of changes in capital assets for the year ended December 31, 2016, follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Depreciable assets				
Furniture and fixtures	\$ 384,313	\$ 21,601	\$ -	\$ 405,914
Computer hardware and software	478,552	22,565	(32,840)	468,277
Equipment	1,027,265	67,388	(97,488)	997,165
Improvements	1,977	-	-	1,977
Total depreciable assets	1,892,107	111,554	(130,328)	1,873,333
Non-depreciable assets				
Art	43,510	-	-	43,510
Total capital assets	\$ 1,935,617	\$ 111,554	\$ (130,328)	\$ 1,916,843
Less: accumulated depreciation				
Furniture and fixtures	\$ (255,187)	\$ (34,584)	\$ -	\$ (289,771)
Computer hardware and software	(365,692)	(48,848)	32,840	(381,700)
Equipment	(889,572)	(55,226)	97,488	(847,310)
Improvements	(890)	(198)	-	(1,088)
Total accumulated depreciation	(1,511,341)	(138,856)	130,328	(1,519,869)
Total capital assets, net	\$ 424,276	\$ (27,302)	\$ -	\$ 396,974

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to functions/programs as follows:

Administrative support	\$	45,303
Disease prevention & emergency preparedness		4,821
Community health services		14,637
Environmental health services		74,094
		138,855
	\$	138,855

**NOTE 4 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2016:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 443,354	\$ 8,279	\$ -	\$ 451,633	\$ 6,097
			Obligations due beyond one year		
			Compensated absences		\$ 445,536

**NOTE 5 - OPERATING LEASES**

The Health Department entered into a lease agreement for copy machines in August 2014. The term of the lease is 60 months and the monthly payment is \$734.

The Health Department entered into a lease agreement for credit card machines on March 28, 2013. The term of the lease is 48 months and the monthly payment is \$172.

Total lease expense for the year ended December 31, 2016, was \$12,662.

December 31,	Future minimum lease payments
2017	\$ 9,331
2018	8,815
2019	6,611
Thereafter	-
Total	\$ 24,757

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - FUND BALANCES**

At December 31, 2016, fund balances are composed of the following:

	<b>General Fund</b>
<b>Non-spendable</b>	
Prepaid items	\$ 109,321
<b>Restricted</b>	
Donations	41,990
<b>Committed</b>	
Capital replacement	131,705
Medical expense reimbursement plan	110,000
Total committed fund balances	241,705
<b>Unassigned</b>	1,774,742
<b>Total fund balance</b>	<b>\$ 2,167,758</b>

**RESTRICTED FUND BALANCES**

**Fund Balance – Restricted** - Restricted fund balance which use is subject to constraints that are either externally imposed by creditors (such as debt covenants), grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted net assets at December 31, 2016, are as follows:

Donations	\$ 41,990
-----------	-----------

**COMMITTED FUND BALANCES**

**Committed for the medical expense reimbursement plan** - This amount represents funds to be used to cover unforeseen shortfalls in the medical expense reimbursement plan in future years.

**Committed for equipment replacement** - This amount represents funds to be used to replace equipment and vehicles due to obsolescence in future years.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - RISK MANAGEMENT**

The Health Department is exposed to various risks of loss related to employee health coverage: injuries to employees, torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Health Department carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 8 - EMPLOYEE BENEFITS**

***Defined Benefit Plan***

**Plan Description** - The Health Department contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards (GASB) Statement No. 67 and is administered by the Public Employees' Retirement Association (PERA). PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Brief Description of benefits**

Plan Benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provision of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly.

The LGDTF serves as a defined benefit retirement plan where retirees receive a monthly benefit for their lifetime, and generally, an annual increase each year, as eligible. Members of affiliated employers are eligible to receive a lifetime monthly retirement benefit when certain age and service credit requirements are met. These eligibilities vary by the membership date and considered credited service at key dates. The benefits are based upon a defined or fixed multiplier, age, years of credited service, and highest average salary (HAS). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals  $2.5\% \times HAS \times Years\ of\ Service$ . If a member reached early retirement eligibility and wishes to begin benefit payments prior to achieving the full retirement requirements, then the monthly amount is reduced to consider the early receipt of monthly payments. Alternatively, if greater, a lifetime benefit is available that is calculated by annuitizing the member's account. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

In addition to retirement benefits, the LGDTF provides refund opportunities with matching employer dollars, if eligible, when leaving covered employment, and disability retirement and survivor benefits for those meeting certain criteria.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Basis of Presentation**

The schedule of employer amounts, collective pension amounts, and net pension liability (the schedules) present amounts that are elements of the financials statements of the Health Department and is derived from information provided by the LGDTF. Accordingly, they do not purport to be a complete presentation of the fiduciary net position or changes in fiduciary net position of the Health Department. The schedules are prepared using the accrual basis of accounting in accordance with principles generally accepted in the United States of America. Such preparation requires management of the Health Department to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ.

The schedule of collective pension amounts represents collective amounts for the Health Department. This schedule excludes employer-specific deferral amounts that need to be recognized to comply with GASB statements no.68, *Accounting and Financial Reporting for Pension*. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date as defined in paragraphs 54 through 57 of GASB No. 68.

**Employer Contributions**

The Health Department is required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, et seq. Employer contribution requirements, as a percentage of salary, are summarized in the table below:

	<u>Rate (%)</u>
Employer Contribution	10.00
Amount of Employer Contribution apportioned to the Health Care Trust Fund as Specified in C.R.S 24-51-208(1)(f)	(1.02)
Amount apportioned to the LGDTF	8.98
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411 1	2.20
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S 24-51-411 1	1.50
Total employer contribution rate to the LGDTF	12.68

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Employer Allocation Percentages**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the LGDTF to recognize their proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense in their financial statements. The Health Department presentation in the accompanying schedules are based on employer contributions as a percentage of total employer contributions during the measurement period or reporting months January 1, 2015 through December 31, 2015. This schedule reports contribution and allocations for each reporting agency affiliated with PERA in the LGDTF. Employer contributions are recognized in the period in which the compensation becomes payable to the member and the employer is statutorily committed to pay the contributions to the LGDTF. Contributions are reduced by the allocation to the Health Care Trust Fund for all reporting agencies, and if applicable, for refunds of contributions. For the years ended December 31, 2016, 2015, and 2014, the Health Department's employer contributions to LGDTF were \$502,128, \$515,652, and \$510,180, which were equal to its required contributions for each year.

The LGDTF's Statement of Changes in Fiduciary Net Position in the December 31, 2015 CAFR, employer contributions were \$70,415 compared to the total employer contributions of \$72,013 on the Schedule of Employer Allocations. The difference is due to the animalization of contributions and other adjustments to better represent the long-term contribution effort of the employers in the LGDTF.

**Actuarial Valuation Date**

The collective total pension liability is based upon the December 31, 2014 actuarial valuation. An expected total pension liability is determined as of December 31, 2015 using standard roll-forward techniques. The roll forward calculation includes actual benefits, refunds, and disability premiums paid for the plan year, interest on the total pension liability, the annual normal costs (also called service cost), changes of benefit terms, differences between expected and actual experience at the end of year, and changes of assumptions or other inputs.

**Collective Net Pension Liability**

At December 31, 2016, the Health Department reported the collective net pension liability as follows:

Total pension liability	\$ 31,560,090
Plan fiduciary net position	(24,259,913)
Net pension liability	<u>\$ 7,300,177</u>

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Health Department's net pension liability was based on their contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Collective Net Pension Liability - Continued**

At December 31, 2015, the Health Department’s proportion was .6627%. For the year ended, the Health Department’s pension expense related to the PERA LGDTF was \$184,051.

**Actuarial Assumptions**

The December 31, 2014 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.8 percent
Real wage growth	1.1 percent
Wage inflation	3.9 percent
Salary increase, including wage inflation	3.9-10.85 percent
Long-term investments rate of return, net of pension plan investment expenses, including price inflation	7.5 percent
Future post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	2 percent
PERA benefit structure hired after 12/31/06	Financed by the Annual Increase Reserve (AIR)

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage
  - Reflection of the employer match on separation benefits for all eligible years
  - Reflection of one year of service eligibility for survivor annuity benefit
  - Refinement of the 18 month annual increase timing
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Actuarial Assumptions -Continued**

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1-year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014, valuations were based on the results of an actuarial experience study for the period January 1, 2008-December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return, by weighting the expected future real rates of return, using the target asset allocation percentage, and then adding expected inflation.

As of the November 15, 2013, adoption of the current long-term rate of return by the Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>10 Yr. Expected Geometric Real Rate of Return %</u>
US Equity - Large Cap	26.76	5.00
US Equity - Small Cap	4.40	5.19
Non US Equity - Developed	22.06	5.29
Non US Equity - Emerging	6.24	6.76
Core Fixed Income	24.05	0.98
High Yield	1.53	2.64
Long Duration Gov't/Credit	0.53	1.57
Emerging Market Bonds	0.43	3.04
Real Estate	7.00	5.09
Private Equity	7.00	7.16
<b>Total</b>	<u>100.00</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50 percent.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions described above under actuarial assumptions. In addition, the following methods and assumptions were used in the projection of cash flows.

Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop .50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by either member contributions.

Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

Benefit payments and contributions were assumed to be made at the end of the month.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Discount Rate - Continued**

Based on the above assumptions and methods, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate. There was no change in discount rate from the prior measurement date.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.50%) than the current rate:

Sensitivity of the NPL:

	<b>1% Decrease 6.50%</b>	<b>Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Health Department's proportionate share of net pension liability	\$ 7,227,175	\$ 7,300,177	\$ 8,030,195

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Reconciliation of Collective Deferred Outflows of Resources**

The following presents the Health Department’s collective deferral reconciliation showing the beginning deferrals, adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending collective amounts as December 31, 2016:

<u>Reconciliation of Deferrals</u>	<u>Difference Between Expected and Actual Experience</u>	<u>Changes of Assumptions or Other Inputs</u>	<u>Net Difference Between Projected and Actual Investment Earnings</u>	<u>Total</u>
Beginning deferral amounts as of prior measurement date December 31, 2014	\$ -	\$ -	\$ 348,072	\$ 348,072
Deferral amounts added as of measurement date December 31, 2015	106,914	(117,655.00)	1,571,904	1,561,163
Total of amortization amounts recognized in pension expense during measurement period, 2015	<u>(47,728)</u>	<u>-</u>	<u>(401,400)</u>	<u>(449,128)</u>
<b>Outstanding deferral amounts as of measurement date, December 31, 2015</b>	<u>\$ 59,186</u>	<u>\$ (117,655)</u>	<u>\$ 1,518,576</u>	<u>\$ 1,460,107</u>

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Reconciliation to the statement of net position**

The following total deferred outflows on the statement of net position is as follows:

Outstanding deferral amounts as of the measurement date December 31, 2015	\$ 1,460,107
Employer contributions subsequent to the measurement date as defined in paragraphs 54 through 57 of GASB statement No. 68	502,128
	<u>\$ 1,962,235</u>

**Amortization of Collective Deferred Outflows of Resources**

The following presents the Health Department’s collective deferral amortization showing the deferrals added each plan year, the amortization period, and the amount of the amortization for each plan year:

<b>Difference Between Expected and Actual Experience</b>			
<b>For the Plan Year</b>	<b>Deferral Amounts Added</b>	<b>Amortization Period</b>	
2014	\$ -		
2015	\$ 106,914	2.24 years	
			<b>Total</b>
<b>For the Plan Year</b>	<b>Amortization of the 2014 Deferral</b>	<b>Amortization of the 2015 Deferral</b>	<b>Amortization for the Plan year</b>
2014	\$ -	-	-
2015	-	47,728	47,728
2016	-	47,728	47,728
2017	-	11,458	11,458
<b>Total</b>	<u>\$ -</u>	<u>\$ 106,914</u>	<u>\$ 106,914</u>

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Amortization of Collective Deferred Outflows of Resources**

<b>Net Difference Between Projected and Actual Investment Earnings</b>			
<b>For the Plan Year</b>	<b>Deferral Amounts Added</b>	<b>Amortization Period</b>	
2014	\$ 435,095	5 years	
2015	\$ 1,571,904	5 years	
<b>For the Plan Year</b>	<b>Amortization of the 2014 Deferral</b>	<b>Amortization of the 2015 Deferral</b>	<b>Total Amortization for the Plan year</b>
2014	\$ 87,019	-	87,019
2015	87,019	314,381	401,400
2016	87,019	314,381	401,400
2017	87,019	314,381	401,400
2018	87,019	314,381	401,400
2019	-	314,380	314,380
<b>Total</b>	\$ 435,095	\$ 1,571,904	\$ 2,006,999

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS - CONTINUED**

**Reconciliation of Collective Deferred Inflows of Resources**

<u>Reconciliation of Deferrals</u>	<u>Difference Between Expected and Actual Experience</u>	<u>Changes of Assumptions or Other Inputs</u>	<u>Net Difference Between Projected and Actual Investment Earnings</u>	<u>Total</u>
Beginning deferral amounts as of prior measurement date December 31, 2014	\$ 713	\$ -	\$ -	\$ 713
Deferral amounts added as of measurement date December 31, 2015	-	185,924	-	185,924
Total of amortization amounts recognized in pension expense during measurement period, 2015	<u>(461)</u>	<u>(52,202)</u>	<u>-</u>	<u>(52,663)</u>
<b>Outstanding deferral amounts as of measurement date, December 31, 2015</b>	<u>\$ 252</u>	<u>\$ 133,722</u>	<u>\$ -</u>	<u>\$ 133,974</u>

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS – CONTINUED**

**Amortization of Collective Deferred Inflows of Resources**

<b>Difference Between Expected and Actual Experience</b>			
<b>For the Plan Year</b>	<b>Deferral Amounts Added</b>	<b>Amortization Period</b>	
2014	\$ 2,306	2.27	
2015	-	-	
			<b>Total</b>
<b>For the Plan Year</b>	<b>Amortization of the 2014 Deferral</b>	<b>Amortization of the 2015 Deferral</b>	<b>Amortization for the Plan year</b>
2014	\$ 461	-	461
2015	461	-	461
2016	461	-	461
2017	461	-	461
2018	462	-	462
<b>Total</b>	<b>\$ 2,306</b>	<b>\$ -</b>	<b>\$ 2,306</b>

<b>Net Difference Between Projected and Actual Investment Earnings</b>			
<b>For the Plan Year</b>	<b>Deferral Amounts Added</b>	<b>Amortization Period</b>	
2014	-	-	
2015	\$ 261,011	5 years	
			<b>Total</b>
<b>For the Plan Year</b>	<b>Amortization of the 2014 Deferral</b>	<b>Amortization of the 2015 Deferral</b>	<b>Amortization for the Plan year</b>
2014	-	-	-
2015	-	52,202	52,202
2016	-	52,202	52,202
2017	-	52,202	52,202
2018	-	52,202	52,202
2019	-	52,202	52,202
<b>Total</b>	<b>\$ -</b>	<b>\$ 261,010</b>	<b>\$ 261,010</b>

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - EMPLOYEE BENEFITS - CONTINUED**

**401(k) Plan** - Employees of the Health Department who are members of the LGDTF may voluntarily contribute to the voluntary investment program (401(k) Plan), an Internal Revenue Code 401(k) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) plan provisions to the state legislature. PERA issues a publicly available annual financial report for the 401(k) Plan. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, CO 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The 401(k) Plan is funded by voluntary member contributions, up to a maximum limit set by the IRS, and the contribution requirements for the Health Department are established under Title 24, Article 51, section 1402 of the CRS, as amended. For the year ended December 31, 2016, the plan member contributions totaled \$48,631.

**Voluntary Tax-Deferred Retirement Plans** - The Health Department also offers its employees the opportunity to participate in two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer up to 25% of their covered salaries up to the maximums permitted by law and no employer contributions are required. Member contributions for the year ended December 31, 2016, totaled 32,071.

**NOTE 9 - POST-EMPLOYMENT BENEFITS**

The Health Department contributes to the Health Care Trust Fund (HCTF), a cost sharing, multiple-employer post-employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, CO 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The Health Department is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute and no member contributions are required. The contribution requirements for the Health Department are established under Title 24, Article 51, part 4, of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Health Department's contributions to the HCTF for the years ended December 31, 2016, 2015, and 2014 were \$37,383, \$ 38,846 and \$38,045, respectively, equal to their required contributions for each year.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - RELATED PARTIES**

As discussed in NOTE 1, the Health Department was established by intergovernmental agreement between the City of Pueblo and the County of Pueblo. The following is a summary of the related party transactions for the year ended December 31, 2016:

**City of Pueblo**

Operating subsidy provided to the Health Department - recorded as revenue in the Statement of Activities	\$	819,483
--	----	---------

Payments to the City made for automotive repairs and maintenance for the Health Department's vehicles - recorded as expenses in the Statement of Activities as follows:

Operations & admin services	\$	6		
Disease prevention & emergency preparedness		460		
Environmental health		<u>10,571</u>	\$	11,037

**County of Pueblo**

Operating subsidy provided to the Health Department - recorded as revenue in the Statement of Activities	\$	993,300
--	----	---------

Payments made to the County for use of data processing programs and applications - recorded as expenses in the Statement of Activities	\$	38,559
--	----	--------

On December 31, 2016, the Health Department had \$4,338 in accounts payable to employees, and \$18,028 payable to the County of Pueblo.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**TABOR Amendment** - Colorado voters passed an amendment to the state constitution in November 1992 that contains several limitations, including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment is complex and subject to judicial interpretation and it has not been determined if the Health Department is subject to the amendment.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

**Other** - The Health Department participates in a number of federal and state assisted grant programs. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Health Department. In the opinion of management, however, any such disallowed claims would not have a material effect on the financial statements of the Health Department as of and for the year ended December 31, 2016.

**NOTE 12 - REVENUE – COLORADO DEPARTMENT OF PUBLIC HEALTH & ENVIRONMENT**

The Health Department receives various contracts and grants that are passed on from the Colorado Department of Health and Environment. Total revenue allocated to each function of the Department for the year ended December 31, 2016, is as follows:

Administrative support	\$ 10,000
Disease and Prevention and Emergency Preparedness	887,796
Community Health Services	1,641,194
Environmental Health Services	312,301
	<u>\$ 2,851,291</u>

The Health Department also received WIC, in-kind food coupons, from the Colorado Department of Public Health & Environment, in the amount of \$2,630,043 and Family Planning STD Testing, in the amount of \$10,000. These in-kind donations are not included in the Statement of Activities or the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance.

**NOTE 13 - SUBSEQUENT EVENT**

Management has evaluated subsequent events through June 26, 2017, the date on which the financial statements were available to be issued.

***REQUIRED SUPPLEMENTAL INFORMATION***

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCE,  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<b>Revenue</b>				
Charges for services	\$ 938,126	\$ 938,126	\$ 1,034,377	\$ 96,251
Intergovernmental -				
City of Pueblo - special allocation	819,483	819,483	819,483	-
County of Pueblo - special allocation	993,300	993,300	993,300	-
Specific grants	3,413,943	3,413,943	3,584,859	170,916
Contributions and private grants	93,193	93,193	125,554	32,361
Other	6,740	6,740	24,978	18,238
Investment earnings	1,500	1,500	5,388	3,888
<b>Total revenues</b>	<u>6,266,285</u>	<u>6,266,285</u>	<u>6,587,939</u>	<u>321,654</u>
<b>Expenditures</b>				
Personnel services	3,971,385	3,971,385	3,750,785	(220,600)
Pension contributions	532,734	532,734	502,128	(30,606)
Fringe benefits	678,873	678,873	762,686	83,813
Operating costs	373,347	373,347	371,478	(1,869)
Travel	137,783	137,783	160,236	22,453
Public education	65,675	65,675	130,020	64,345
Supplies	246,600	246,600	273,945	27,345
Other	375,940	375,940	331,663	(44,277)
Capital outlay	79,000	79,000	111,554	32,554
<b>Total expenditures</b>	<u>6,461,337</u>	<u>6,461,337</u>	<u>6,394,495</u>	<u>(66,842)</u>
<b>Net change in fund balance</b>	(195,052)	(195,052)	193,444	388,496
<b>Beginning fund balance</b>		-	1,974,164	1,974,164
<b>Ending fund balance</b>	<u>\$</u>	<u>\$ (195,052)</u>	2,167,608	<u>\$ 2,362,660</u>
GAAP adjustments				
principles adjustments				
Capital assets			396,974	
Compensated absences			(451,633)	
Pension liability and deferred inflows/outflows			(5,471,916)	
<b>NET POSITION ENDING</b>			<u>\$ (3,358,967)</u>	

See notes to required supplementary information

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2016**

**BUDGETARY INFORMATION**

The Health Department uses the following procedures in establishing the budgetary data reflected in the financial statements. These procedures are in compliance with Colorado Revised Statutes.

Budgets are required by state law for all funds. A formal budget is adopted each calendar year upon approval by the Board of Health and is employed as a management control device for the General Fund. In addition, the budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Budgetary control exists at the total fund level.

Unused appropriations for all of the annually budgeted funds lapse at the end of the year. Therefore, encumbrances are not presented as a reservation of fund balance and the Health Department appropriates funds in the subsequent year to honor these commitments.

**RECONCILIATION OF BUDGET TO ACTUAL**

The Health Department has prepared its budget on a basis of accounting other than GAAP. A reconciliation of the budgetary basis to GAAP is provided on the Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual – General Fund.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED DECEMBER 31, 2016**

**Colorado PERA Local Government Division Trust Fund**

---

Proportionate share of total pension liability	\$	31,560,090
Proportionate share of fiduciary net position		(24,259,913)
Proportionate share of net pension liability	\$	7,300,177
Fiduciary net position as a percentage of total pension liability	\$	76.87%
Covered employee payroll	\$	3,665,021
Net pension liability as a percentage of covered employee payroll		199.1851%
Proportion of net pension liability		0.6627%

\* Information determined under the provisions of GASB No. 68 is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the Health Department's measurement date (December 31, 2014) of the net pension liability in accordance with GASB Statement No. 68.

See notes to financial statements and budgetary comparison schedule

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2016**

**Colorado PERA Local Government Division Trust Fund**

---

	<b>Statutory Determined Contributions</b>	<b>Actual Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Actual Contributons as % of Cov. Payroll</b>
<b>2015</b>	\$ 515,652	\$ 515,652	\$ -	\$ 3,763,879	\$ 13.70%
<b>2016</b>	\$ 502,128	\$ 502,128	\$ -	\$ 3,665,021	\$ 13.70%

**Notes to the Required Supplementary Information**

There were no changes to benefit assumptions as of the plan's measurement date

\* Information determined under of the provision of GASB 68 is not available for years prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented. Information presented in this schedule has been determined as of the most recent fiscal year-end (December 31) in accordance with GASB Statement No. 68.

See notes to financial statements and budgetary comparison schedule

***ADDITIONAL INFORMATION***

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through from Colorado Department of Public Health and Environment- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	17-FHLA 93390 17-FHLA-92946	<u>\$ 3,714,563</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Passed through from Department of the Army, Office of the Chief of Engineers State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	FEA HAZ 1354156	<u>\$ 32,389</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Research and Development	66.511	n/a	\$ 1,631
Superfund State Political & Indian Tribe Site Specific Cooperative Agreements	66.802	08UATA00-TR2	<u>130,681</u>
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			<u>\$ 132,312</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through from Colorado Department of Public Safety Chemical Stockpile Emergency Preparedness Program	97.040	CMS#89905	<u>\$ 243,513</u>

Continued on page 43

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

Continued from page 42

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY'S IDENTIFYING NUMBER</b>	<b>FEDERAL EXPENDITUR</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through from Colorado Department of Public Health and Environment			
Public Health Emergency Preparedness	93.069	FAAA 16 FHJA-82001	\$ 192,662
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) aligned Coopertive Aggreements (Ebola)	93.074	17 FAAA 86750 16 FAAA 3305	141,675
Family Planning Services	93.217	17 FHLA 86960	67,149
Immunization Cooperative Agreements	93.268	FAAA 16 85638/87732	64,400
PPHF Capacity Building Assistance to Strengthen Public Heah Immunization Infastructure and Performance financed in party by Prevention and Public and Publich Health Funds	93.539	n/a	4,033
ACA-State Innovation Models: Funding for Model Design and Model Testing Assitance	93.624	17 FHHA 92933	43,178
Child Lead Poisoning Prevention Survelience Financed in party by Prevention and Public Health (PHF) Program	93.753	17 FHHA 92933	6,273
Preventive Health and Services Block Grant	93.758	none	47,500
Maternal & Child Health Services Block Grant	93.994	15-72155	164,330
Preventive Health Services Sexually Transmitted Diseases Control Grants (non cash)	93.977	none	10,000
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>741,200</b>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 4,863,977</b>

See notes to schedule of expenditures of federal awards

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Pueblo City-County Health Department and is presented on the modified accrual basis of accounting wherein expenditures are recognized when the liability is incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**NOTE 2 – OTHER ITEMS**

**Pass-Through Entity's Identifying Number** - The pass-through entity's identifying number has been included where available.

**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE  
COLORADO SPRINGS, COLORADO 80903-1005

JEFFREY S. ROSACKER, CPA – PARTNER  
MITCHELL K. DOWNS, CPA, ABV – PARTNER

GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321  
FAX (719) 636-2517  
WEB WWW.SPRINGSCPA.COM

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Health  
Pueblo City-County Health Department  
Pueblo, Colorado

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Pueblo City-County Health Department (Health Department) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements and have issued our report thereon dated June 26, 2017.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the Health Department's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL – CONTINUED

Page 2

### Compliance and other matters

As part of obtaining reasonable assurance about whether the Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Osbome, Parsons & Associates LLP*

Colorado Springs, Colorado

June 26, 2017

**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE  
COLORADO SPRINGS, COLORADO 80903

JEFFREY S. ROSACKER, CPA – PARTNER  
MITCHELL K. DOWNS, CPA, ABV – PARTNER

GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321  
FAX (719) 636-2517  
WEB WWW.SPRINGSCPA.COM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

Board of Health  
Pueblo City-County Health Department  
Pueblo, Colorado

**Report on Compliance for Each Major Federal Program**

We have audited the Pueblo City-County Health Department's (Health Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Health Department's major federal programs for the year ended December 31, 2016. The Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Health Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Department's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Health Department's compliance.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE – CONTINUED

Page 2

### Opinion on Each Major Federal Program

In our opinion, the Health Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### Report on Internal Control Over Compliance

Management of the Health Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Health Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Osborne, Paisens & Neacher LLP*

Colorado Springs, Colorado  
June 26, 2017

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016**

**Summary of Audit Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of Pueblo City-County Health Department.
2. No significant deficiencies relating to internal control were disclosed in the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Pueblo City-County Health Department were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award program of the Pueblo City-County Health Department.
5. Our report on compliance for major federal award programs for the Pueblo City-County Health Department expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Pueblo City-County Health Department.
7. The programs tested as a major program were: Special Supplemental Nutrition Program for Women, Infants & Children (WIC) CFDA 10.557.
8. The threshold for distinguishing Types A and B programs was \$750,000
9. The Pueblo City-County Health Department was determined to be a low-risk auditee.

**Findings - Financial Statements Audit**

None

**Findings and Questioned Costs – Major Federal Award Program Audit**

None