

**NORTHEAST COLORADO
HEALTH DEPARTMENT**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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NORTHEAST COLORADO HEALTH DEPARTMENT
TABLE OF CONTENTS
December 31, 2017

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet –Governmental Funds	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenue, Expenditures And Changes in Fund Balance of Governmental Funds to Statement of Activities	12
Notes to Financial Statements	13
Required Supplementary Information	
Pension Information	
Schedule of Employer Contributions	26
Schedule of the District's Proportionate Share of Net Pension Liability	27
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	28
Notes to the Required Supplementary Information	29
Single Audit Section	
Schedule of Expenditures of Federal Awards	31
Notes to Schedule of Expenditures of Federal Awards	32
Independent Auditor's 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>	33
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	35
Schedule of Findings and Questioned Costs	37
Schedule of Prior Audit Findings	39



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INDEPENDENT AUDITORS' REPORT

Board of Health
Northeast Colorado Health Department
Sterling, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Northeast Colorado Health Department as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Northeast Colorado Health Department as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 21-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2018 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Colorado Health Department's internal control over financial reporting and compliance.



Fort Morgan, Colorado
June 11, 2018

NORTHEAST COLORADO HEALTH DEPARTMENT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

This section of the Northeast Colorado Health Department's annual financial report presents our discussion and analysis of the Northeast Colorado Health Department's financial performance during the year ending December 31, 2017.

FINANCIAL HIGHLIGHTS

- The net position of the Northeast Colorado Health Department decreased by \$206,301 in 2017 due to required unrealized pension liability accruals.
- The agency maintained steady with the same contracts in place as in 2016
- Dr. Cappello, the agency's director since 2011, resigned in August to move onto the State Health Department.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Northeast Colorado Health Department's basic financial statements. This is now the thirteenth year where a management discussion and a comparison to the prior year's activity has been provided in this document. This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities provide information about the activities of the Northeast Colorado Health Department as a whole and present a longer-term view of the Northeast Colorado Health Department's finances. These statements tell how these services were financed in the short term as well as what remains for future financial security. The Northeast Colorado Health Department's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

THE DEPARTMENT AS A WHOLE

The government-wide financial statements are designed to provide interested readers with information about the Northeast Colorado Health Department as a whole, using accounting methods similar to those used by private-sector businesses.

The Statement of Net Position includes all of the Northeast Colorado Health Department's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Northeast Colorado Health Department is improving or deteriorating.

The Statement of Activities presents information showing how the Northeast Colorado Health Department's net position changed during the fiscal year. All changes in net position are reported as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years (e.g. earned but unused annual leave). As noted earlier, net position may serve over time as a useful indicator of the Northeast Colorado Health Department's financial position. In the case of the Northeast Colorado Health Department, total assets exceeded liabilities in the amount of \$304,801 by the close of 2017.

NORTHEAST COLORADO HEALTH DEPARTMENT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

NET POSITION

The following tables focus on the combined net position and changes in net position of the Department's governmental activities from 2016 to 2017.

	2017	2016	Net Change
Current assets	\$ 2,239,418	\$ 2,058,346	\$ 181,072
Capital assets	1,039,969	1,093,230	(53,261)
Deferred outflows	689,632	653,187	36,445
Total assets and deferred outflows	\$ 3,969,019	\$ 3,804,763	\$ 164,256
Current liabilities	\$ 242,357	\$ 276,226	\$ (33,869)
Long-term liabilities	3,341,831	2,896,488	445,343
Total liabilities	3,584,188	3,172,714	411,474
Deferred Inflows	9,216	50,133	(40,917)
Invested in capital assets	1,039,969	1,093,230	(53,261)
Unrestricted	(664,354)	(511,314)	(153,040)
Total net position	375,615	581,916	(206,304)
Total liabilities, deferred inflows and net position	\$ 3,969,019	\$ 3,804,763,	\$ 164,256

PROGRAM REVENUE

	2017	2016	Net Change
Charges for services	\$ 417,111	\$ 454,920	\$ (37,809)
Operating grants & Contributions	3,082,427	2,849,349	233,078
Capital grants and Contributions			
General Revenues:			
Investment earnings	2,517	1,281	1,236
Miscellaneous	11,476	21,879	(10,403)
Total Revenues	3,513,531	3,327,429	186,102
Program Expenses			
Salaries & related expenses	2,514,010	2,227,074	286,936
Materials and services	1,133,896	1,008,673	125,223
Depreciation	71,926	75,566	(3,640)
Total Expenses	3,719,832	3,311,313	408,519
Change in net position	(206,301)	16,116	(222,417)
Net position at beginning of year	581,916	565,800	16,116
Net position at end of year	\$ 375,615	\$ 581,916	\$ (206,301)

NORTHEAST COLORADO HEALTH DEPARTMENT
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

THE DEPARTMENT'S FUND

The Department's only fund is the General Fund, which is used to account for all financial resources since there are no activities for which there is a separate reporting requirement. As the Department completed the year, the General Fund reported an Unassigned Fund Balance of \$1,997,061 which is \$214,941 more than reported last year.

NOTES TO THE FINANCIAL STATEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and notes, this report also presents other supplementary information concerning the Northeast Colorado Health Department's annual budget and comparisons to actual revenues and expenditures.

CAPITAL ASSETS

At the end of the year, the Department had \$1,039,969 invested in a broad range of capital assets, including land, buildings and equipment. The following table reports the Department's capital assets, net of related depreciation:

	2017	2016	Net Change
Land	\$ 85,000	\$ 85,000	\$ -
Buildings & certain improvements	849,723	878,881	(29,158)
Equipment	105,246	129,349	(24,103)
Total capital net position of depreciation	\$1,039,969	\$ 1,093,230	\$ (53,261)

ECONOMIC FACTORS

At the end of 2017, the Northeast Colorado Health Department was in sound financial condition. Revenues exceeded the budgeted numbers due to increasing the agencies private medical billing. The agency will continue to manage NCHD in a fiscally conservative manner with an eye on all spending and budgeting. All staff is encouraged to obtain contracts/grants to maintain their position and to continue to expand NCHD.

NOTES OF MAJOR 2017 ACTIVITIES AND ACTIONS

- PHIP was completed
- Agency continued to work on accreditation

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview to customers, taxpayers, citizens, residents, funders, and any others interested in the finances of the Northeast Colorado Health Department. Accountability for the funds received and expended by the Northeast Colorado Health Department is taken very seriously. Questions or concerns regarding any of the information provided in this report should be addressed to the Northeast Colorado Health Department, Attn: Accounting; 700 Columbine, Sterling, CO 80751.

NORTHEAST COLORADO HEALTH DEPARTMENT
BASIC FINANCIAL STATEMENTS
December 31, 2017

The Basic Financial Statements of the Department include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds, as applicable.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
STATEMENT OF NET POSITION
As of December 31, 2017

Assets:		
Cash	\$ 1,830,300	
Grant receivables	408,091	
Prepaid Insurance	1,027	
Capital assets, net of accumulated depreciation	<u>1,039,969</u>	
Total Assets		\$ 3,279,387
Deferred Outflows of Resources:		
Pension Plan	<u>689,632</u>	
Total Deferred Outflows		<u>689,632</u>
Total Assets and Deferred Outflows		<u><u>\$ 3,969,019</u></u>
Liabilities		
Accounts payable	\$ 119,168	
Unearned grant revenue	123,189	
Accrued compensated absences	155,026	
Net pension liability	<u>3,186,805</u>	
Total Liabilities		\$ 3,584,188
Deferred Inflows of Resources:		
Pension Plan	<u>9,216</u>	
Total Deferred Outflows		9,216
Net Position		
Invested in capital assets	1,039,969	
Unrestricted	<u>(664,354)</u>	
Total Net Position		<u>375,615</u>
Total Liabilities and Net Position		<u><u>\$ 3,969,019</u></u>

The accompanying notes and independent auditors' report
should be read with these financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Program Revenues				Net
Functions/ Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 3,719,832	\$ 417,111	\$ 3,082,427	\$ -	\$ (220,294)
Total Governmental Activities	\$ 3,719,832	\$ 417,111	\$ 3,082,427	\$ -	(220,294)
			General Revenues		
			Investment earnings		2,517
			Miscellaneous		11,476
			Change in Net Position		(206,301)
			Net Position, Beginning of Year		581,916
			Net Position, End of Year		\$ 375,615

The accompanying notes and independent auditors' report
should be read with these financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	Assets	<u>General Fund</u>
Cash		\$ 1,830,300
Grant receivables		408,091
Prepaid insurance		<u>1,027</u>
Total Assets		<u><u>\$ 2,239,418</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts Payable		\$ 119,168
Unearned Grant Revenue		<u>123,189</u>
Total Liabilities		\$ 242,357
Fund Balance		
Unassigned		<u>1,997,061</u>
Total Fund Balance		<u>1,997,061</u>
Total Liabilities and Fund Balance		<u><u>\$ 2,239,418</u></u>

The accompanying notes and independant auditor's report
should be read with these financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2017

Total Fund Balance - Balance Sheet - Governmental Funds	\$ 1,997,061
Adjustments needed to reconcile to the statement of net position:	
Net capital assets are recorded for financial purposes but are not included as a financial resource for governmental funds.	1,039,969
Deferred inflows and outflows related to pensions	680,416
Long term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the General Fund. Long-term liabilities at year end consist of:	
Accrued compensated absences	(155,026)
Net pension liability	<u>(3,186,805)</u>
Total Net Position	<u><u>\$ 375,615</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	GENERAL FUND
Revenues	
Intergovernmental	\$ 3,082,427
Fees for services	417,111
Contributions	1,224
Miscellaneous	12,769
Total Revenue	\$ 3,513,531
Expenditures	
Salaries and related expenses	2,146,029
Materials and services	1,133,896
Capital outlay	18,665
Total Expenses	3,298,590
Change in Fund Balance	214,941
Fund Balance Beginning of Year	1,782,120
Fund Balance End of Year	\$ 1,997,061

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Change in Fund Balance - Governmental Funds	\$	214,941
Adjustments needed to reconcile to the Statement of Activities:		
Capital outlays to purchase or build capital assets are reported in the governmental funds as a current expenditure. These same types of capital outlays are capitalized and depreciated over an appropriate useful life expectancy for governmental activities. This is the amount of capital purchases over depreciation expense for the current period.		(53,261)
In the governmental funds the cost of compensated absences is expensed in the period the compensation is paid. However, in the statement of activities the expense for compensated absences is expensed when earned or accrued. The difference between the amount expensed during the period exceeded the amount accrued by.		9,541
The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		<u>(377,522)</u>
Net Change in the Net Position - Governmental Activities	\$	<u><u>(206,301)</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of the significant accounting policies of the Northeast Colorado Health Department (the Department) is presented to assist the reader in understanding the accompanying financial statements and supplementary financial data presented in this report. These policies have been applied in a consistent manner in preparation of this report and should be read with the accompanying financial statements.

The financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The Department also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Department's accounting policies are described below.

A. Reporting Entity

The Department consists of a primary government with no component units.

This means that the Department does not have any relationships with other organizations or entities for which it is financially accountable or by which excluding the organization or entity would cause the financial statements to be misleading or incomplete.

B. Fund Accounting

Governmental fund accounting is used to account for all or most of the government's general activities. The Department's only fund is the General Fund, which is used to account for all financial resources since there are no activities required to be separately accounted for.

C. Basis of Presentation

Government-wide financial statements: The statement of net position and the statement of activities display information about the Department as a whole. These statements include the financial activities of the primary government.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Financial Statements: The fund financial statements report detailed information about the Department. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Department has only one fund, the General Fund.

The governmental fund types are accounted for by only using current financial resources. Therefore, the balance sheet generally includes current assets and current liabilities and the statement of revenues, expenditures and changes in fund balance reports the current sources and uses of financial resources.

Revenues – exchange and non-exchange transactions: Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Department, available means expected to be received within sixty days of fiscal year-end.

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Revenues – exchange and non-exchange transactions (continued): Non exchange transactions, in which the Department receives value without directly giving equal value in return, include county contributions, grants and other miscellaneous sources. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Department must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses and Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the fund basis of accounting expenditures are generally recognized in the period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Encumbrances

The encumbrance system is not utilized by the Department.

E. Receivables

No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

F. Capital Assets

Capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets with a unit cost of \$1,000 or greater are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis, from 2004. Infrastructure prior to 2004 will not be capitalized.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Buildings and certain improvements	15-50 Years
Equipment	7-10 Years

G. Compensated Absences

The Northeast Colorado Health Department reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". The Department maintains a vested program for employee compensated personal time off (PTO). Part-time employees working a minimum of 10 hours per week earn PTO on a prorated basis determined by hours worked.

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences (Continued)

All permanent full-time employees earn the following amounts of compensated PTO:

<u>Years of Service</u>	<u>Monthly Accrual Hours</u>	<u>Maximum Accrual</u>
1 to 4.99 Years	19 hours	360 hours
5 to 9.99 Years	23 hours	360 hours
10 to 14.99 Years	27 hours	360 hours
15 plus years	30 hours	360 hours

H. Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

I. Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets equals capital assets net of accumulated depreciation and less outstanding debt, if any. Net position is reported as restricted when there are liabilities imposed on its use, either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Department does not have any restricted net position at year end.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of health and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

L. Use of Estimates

Preparation of financial statements in accordance with generally accepted accounting principles in the United States allows management to use estimates when necessary to present financial information that otherwise cannot be acquired in any other reasonable way.

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions:

The Northeast Colorado Health Department participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing Multi-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of January 1, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 9 and the additional disclosures required by these standards are included in Note 5.

NOTE 2. CASH AND INVESTMENTS

The Department's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Department's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the Department to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the state of Colorado or any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

NOTE 3. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department participates in the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for 40 member counties and their affiliates. The Department makes an annual contribution to CAPP for its general liability, property, broiler, and machinery coverage. The agreement for the formation of CAPP states that it will provide members the coverage authorized through joint self-insurance, insurance, and reinsurance, or any combination thereof, provide claims services related to such coverage, and provide risk management and loss control services. The Department's contribution to CAPP in 2017 was \$1,957.

The Department continues to contribute toward commercial insurance for employee health and accident insurance and workers compensation insurance. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk. Settled claims resulting from these risks have not exceeded the insurance coverage provided in any of the past three years.

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land – Sterling	\$ 10,000	\$ -	\$ -	\$ 10,000
Land – Ft Morgan	25,000	-	-	25,000
Vacant Lots - FM	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total Capital assets, not being depreciated	85,000	-	-	85,000
Capital assets, being depreciated				
Buildings and certain improvements	1,393,546	6,670	-	1,400,216
Equipment	<u>428,564</u>	<u>11,995</u>	<u>(8,806)</u>	<u>431,753</u>
Total Capital assets being depreciated	<u>1,822,110</u>	<u>18,665</u>	<u>(8,806)</u>	<u>1,916,969</u>
Total Capital assets	1,907,110	18,665	(8,806)	1,916,969
Less accumulated depreciation for:				
Buildings and certain improvements	(514,665)	(35,828)	-	(550,493)
Equipment	<u>(299,215)</u>	<u>(36,098)</u>	<u>8,806</u>	<u>(326,507)</u>
Total accumulated depreciation	<u>(813,880)</u>	<u>(71,926)</u>	<u>8,806</u>	<u>(877,000)</u>
Capital Assets, net	<u>\$ 1,093,230</u>	<u>\$ (53,261)</u>	<u>\$ -</u>	<u>\$ 1,039,969</u>

NOTE 5. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Northeast Colorado Health Department are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. 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 provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

NORTHEAST COLORADO HEALTH DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and Northeast Colorado Health Department are 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. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

Employer Contribution Rate ¹	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	<u>(1.02)%</u>
Amount Apportioned to the LGDTF ¹	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	<u>1.50%</u>
Total Employer Contribution Rate to the LGDTF ¹	<u>12.68%</u>

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

NORTHEAST COLORADO HEALTH DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Northeast Colorado Health Department is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Northeast Colorado Health Department were \$202,866 for the year ended December 31, 2017.

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

At December 31, 2017, the Northeast Colorado Health Department reported a liability of \$3,186,805 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Northeast Colorado Health Department proportion of the net pension liability was based on Northeast Colorado Health Department contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Northeast Colorado Health Department proportion was 0.24 percent, which was a 0.01 decrease to its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Northeast Colorado Health Department recognized pension expense of \$604,541. At December 31, 2017 the Northeast Colorado Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Experience	\$	\$ 9,216
Net difference between projected and actual Earnings on pension plan investments	665,478	
Contributions subsequent to the measurement Date	24,153	
Totals	\$ 689,631	\$ 9,216

\$24,153 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	<u>Amount</u>
2018	\$ 6,039
2019	6,038
2020	6,038
2021	6,038
	\$ 24,153

NORTHEAST COLORADO HEALTH DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through 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.

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect P/ERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected rate of return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant 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 by the target asset allocation percentage and then adding expected inflation.

NORTHEAST COLORADO HEALTH DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class:	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<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 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016
- 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 3.50%.
- 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 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 and effective as of the measurement date, 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 .5 % 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 their 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.

NORTHEAST COLORADO HEALTH DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

- 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.

Based on the above assumptions and methods, 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 of 7.25% 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the Northeast Colorado Health Department proportionate share of the 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 7.25percent, 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-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 4,698,798	\$ 3,186,805	1,934,709

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports .

NOTE 6. DEFINED CONTRIBUTION PENSION PLANS

Voluntary Investment Program

Plan Description - Employees of the Northeast Colorado Health Department that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports .

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6. DEFINED CONTRIBUTION PENSION PLANS (continued)

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

NOTE 7. POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description – The Northeast Colorado Health Department contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Northeast Colorado Health Department is required to contribute at a rate of 1.02 percent of *PERA-includable* salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Northeast Colorado Health Department are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2015, 2016 and 2017, the Northeast Colorado Health Department contributions to the HCTF were \$15,112, \$14,393 and \$14,615, respectively, equal to their required contributions for each year.

NOTE 7. COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

The Department receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

B. TABOR Amendment

The Department is organized as a "district" department (pursuant to CRS 25-1-501). The "district" is comprised of six area counties. The governing body is the board of health. Members of the board are appointed by a committee composed of one county commissioner from each county in the district. The board appoints a public health administrator to serve as the administrative and executive head. Noticeably absent from the state laws pertaining to the "district" form of organization is language granting the health board power to set the tax levy necessary to insure the allocation of local funds for operation of the department. The power to tax or impose assessments is fundamental to the definition of "local government" regarding the applicability of the TABOR Amendment. The statutes enabling formation of the "district" form of organization also appear to give the health department more autonomy and less proneness to administrative direction by the state. Accordingly, the district may be compared to a "special purpose authority" pursuant to CRS 24-77-102 (15), which is exempt from the reaches of TABOR Amendment. TABOR is complex and subject to judicial interpretation. The Department believes that it is no longer subject to the provisions of TABOR. However, the Department has made certain interpretations of TABOR's language in order to determine its compliance.

NORTHEAST COLORADO HEALTH DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Employer Contributions
- Schedule of the District's Proportionate Share of Net Pension Liability
- Budgetary Comparison Schedule – General Fund

NORTHEAST COLORADO HEALTH DEPARTMENT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For the Year Ended December 31, 2017

Year Ended December 31,	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2015	\$ 180,583	\$ 180,583	\$1,424,155	12.68%
2016	178,929	178,929	1,411,107	12.68%
2017	181,687	181,687	1,432,862	12.68%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTHEAST COLORADO HEALTH DEPARTMENT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF NET PENSION LIABILITY
 For the Year Ended December 31, 2017

Year Ended December 31,	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2015	0.26%	\$ 2,330,403	\$1,424,155	163.64%	80.70%
2016	0.25%	2,731,921	1,411,107	193.61%	76.87%
2017	0.24%	3,186,805	1,432,862	222.41%	73.76%

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTHEAST COLORADO HEALTH DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
County contributions	\$ 697,956	\$ 697,956	\$ 697,956	\$ -
Fees	470,625	444,190	417,111	(27,079)
Contracts	2,335,897	2,307,447	2,384,470	77,023
Interest	1,300	1,446	2,517	1,071
Miscellaneous	3,000	6,328	11,476	5,148
Total Revenues	3,508,778	3,457,367	3,513,530	56,163
Expenditures				
Salaries	1,655,529	1,645,680	1,539,225	106,455
Related expenses	568,146	641,990	638,049	3,941
Travel	153,751	161,245	136,290	24,955
Supplies	68,889	61,152	72,370	(11,218)
Postage	10,937	10,305	8,406	1,899
Communications	46,280	46,807	48,508	(1,701)
Utilities	32,020	31,831	34,651	(2,820)
Photocopy	21,246	19,639	15,560	4,079
Rent and building operations	27,874	27,131	27,888	(757)
Maintenance	51,710	78,040	55,375	22,665
Equipment	84,985	70,300	50,309	19,991
Marketing	6,500	6,500	4,067	2,433
Program expense	413,686	305,119	324,281	(19,162)
Professional fees	339,931	320,784	308,418	12,366
Mini grant expenses	-	-	5,000	(5,000)
Bank fees	1,242	1,639	1,500	139
Software main/ licenses	26,052	29,205	28,692	513
Total Expenditures	3,508,778	3,457,367	3,298,589	158,778
Excess Revenues over Expenditures	-	-	214,941	214,941
Fund Balance Beginning of Year			1,782,120	
Fund Balance End of Year			\$ 1,997,061	

NORTHEAST COLORADO HEALTH DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2017

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted as required by Colorado Statutes. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United State of America.

Budget amounts included in the financial statements are based on the final amended budget. After initial budget approval, the Department's board of health may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. No supplemental appropriations were made during the year. Expenditures may not legally exceed appropriations as adopted by resolution at the fund level.

Prior to September 1st, the executive director submits the proposed budget to the board of health. Prior to December 31st, the board of health, after reviewing the budget, adopts the budget and passes a resolution making appropriations for the ensuing year.

NORTHEAST COLORADO HEALTH DEPARTMENT
SINGLE AUDIT SECTION
December 31, 2017

In December 2014, the Office of management and Budget issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). This Uniform Guidance was effective for fiscal years beginning after December 24, 2015. The following schedule and reports are included in the Department's financial statements in accordance with the requirements of the Uniform Guidance.

NORTHEAST COLORADO HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>		
Pass-through programs from:		
Colorado Department of Public Health and Environment		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 1,781,357
Total U.S. Department of Agriculture		1,781,357
<u>Environmental Protection Agency:</u>		
Pass-through programs from:		
Colorado Department of Public Health and Environment		
Performance Partnership Grants	66.605	11,260
Total Environmental Protection Agency		11,260
<u>U.S. Department of Health and Human Services:</u>		
Pass-through programs from:		
Colorado Department of Public Health and Environment		
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Coop	93.074	164,643
Family Planning - Services	93.217	5,611
Oral Health Workforce Activities	93.236	58,334
Immunization Grants	93.268	25,510
Epidemiology and Lab Capacity for Infectious Infectious Diseases	93.323	10,920
The Affordable Care Act: Info Systems	93.521	3,328
Immunization Infrastructure	93.539	2,368
ACA - State Innovation Models Funding for Model Design and Testing Assistance	93.624	131,360
Preventive Health Services Block Grant	93.758	32,500
Preventive Health Services: Sexually Transmitted Diseases Control Grants	93.977	12,800
Maternal and Child Health Services Block Grant to the States	93.994	60,229
Total U.S. Department of Health and Human Services		507,603
Total Expenditures of Federal Awards		<u>\$ 2,300,220</u>

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northeast Colorado Health Department and is presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Grant and entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements are met. A deferred revenue account is established when receipts exceed the related expenditures. The information in this schedule is presented in accordance with the requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Nonmonetary Assistance:

Federal nonmonetary assistance is reported in the schedule at the fair market value of the items received and disbursed during the year. The Northeast Colorado Health Department received nonmonetary assistance for the year as follows:

CFDA No. 10.557	Value of Women, Infants and Children (WIC) food vouchers redeemed by participants.	\$ 1,332,195
CFDA No. 93.977	Value of Chlamydia Grant supplies provided for participants.	<u>12,800</u>
	Total value of nonmonetary assistance	<u>\$ 1,332,195</u>



LIITTJOHANN, KAUFFMAN, and PEDERSON
Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

**INDEPENDENT AUDITOR'S 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**

To the Board of Health
Northeast Colorado Health Department
Sterling, 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 Northeast Colorado Health Department, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Northeast Colorado Health Department's basic financial statements, and have issued our report thereon dated June 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northeast Colorado Health Department's internal control over financial reporting (internal control) to determine the 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 Northeast Colorado Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Colorado 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 a 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Colorado 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 that 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.

A handwritten signature in black ink, appearing to read "L. M. ...", is written across the page.

Fort Morgan, Colorado
June 11, 2018



LIITTJOHANN, KAUFFMAN, and PEDERSON
Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

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

To the Board of Health
Northeast Colorado Health Department
Sterling, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Northeast Colorado Health Department's 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 Northeast Colorado Health Department's major federal programs for the year ended December 31, 2017. Northeast Colorado 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Northeast Colorado 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 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Northeast Colorado 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 Northeast Colorado Health Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northeast Colorado 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, 2017.

Report on Internal Control over Compliance

Management of the Northeast Colorado 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 of compliance, we considered the Northeast Colorado 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 Northeast Colorado 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 control over compliance* is a deficiency, or 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 a 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 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.

A handwritten signature in black ink, appearing to be 'L. M. ...', written over a horizontal line.

Fort Morgan, Colorado
June 11, 2018

NORTHEAST COLORADO HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

Summary of audit results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Northeast Colorado Health Department.
2. No reportable conditions were disclosed during the audit of the basic financial statements as reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the basic financial statements of the Department were disclosed during the audit.
4. No reportable conditions relating to the audit the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Northeast Colorado Health Department expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the Department.
7. The program tested as major was:

Special Supplemental Nutrition Program
for Women, Infants, and Children

CFDA No. 10.557
8. The threshold for distinguishing Type A and B Programs was \$750,000.
9. The Department qualified as a low-risk auditee.

NORTHEAST COLORADO HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

Findings- financial statement audit

We noted no reportable conditions during our audit that need to be reported per auditing standards generally accepted in the United States.

Findings and questioned costs – major federal award programs audit

We noted no findings or questioned costs that are required to be reported in accordance with OMB Uniform Guidance.

NORTHEAST COLORADO HEALTH DEPARTMENT
SCHEDULE OF PREVIOUS FINDINGS AND QUESTIONED COSTS
December 31, 2017

Findings- financial statement audit

There were no prior reportable conditions related to the audit of the financial statements in accordance with Auditing Standards Generally Accepted in the United States.

Findings and questioned costs – major federal award programs audit

There were no prior audit findings or questioned costs in relation to an audit in accordance with OMB Uniform Guidance.