

PUEBLO CITY-COUNTY HEALTH DEPARTMENT
FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTAL INFORMATION
AND
ADDITIONAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2017

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Office of the State Auditor

July 31, 2018

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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.

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

INDEPENDENT AUDITORS' REPORT - CONTINUED

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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, 2017, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the 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

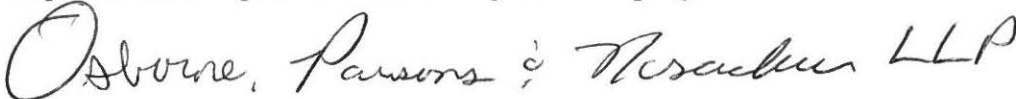
In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018 on our consideration of the Health Department's internal control over financial reporting and on our tests of its

INDEPENDENT AUDITORS' REPORT - CONTINUED

Page 3

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 18, 2018, 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.



Colorado Springs, Colorado

June 18, 2018

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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, 2017. Readers are encouraged to use the information presented here in conjunction with the financial statements that follow this narrative.

Fund Financial Highlights

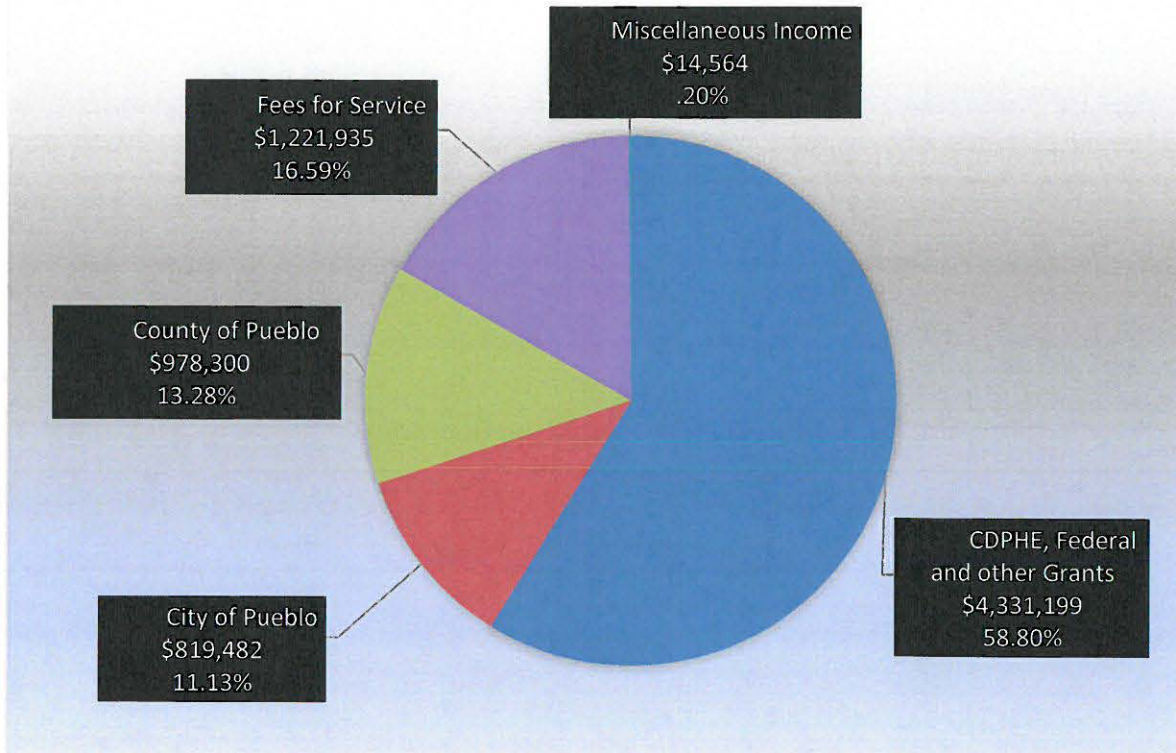
The Pueblo City-County Health Department is organized on the basis of funds, each considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves and equities, which are segregated 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 \$2,421,801 at the close of the fiscal year. Of this amount, \$636,588 may be used to meet the Department's ongoing obligations.
- The total assets of the primary government of the Department increased by \$292,564 due to an increase in accounts receivable and cash deposits. Normal operating liabilities increased by \$38,371. Total fund balance increased by the change in which revenues exceeded expenditures by \$254,193.
- Total revenues increased by 11.8% or approximately \$777,500, which was due to an increase in operating grants and charges for services. Expenditures increased by 11.2% or approximately \$716,800 due to an increase in salaries and related benefit payments as well as an increase of expenditures related to the increase in operating grants.

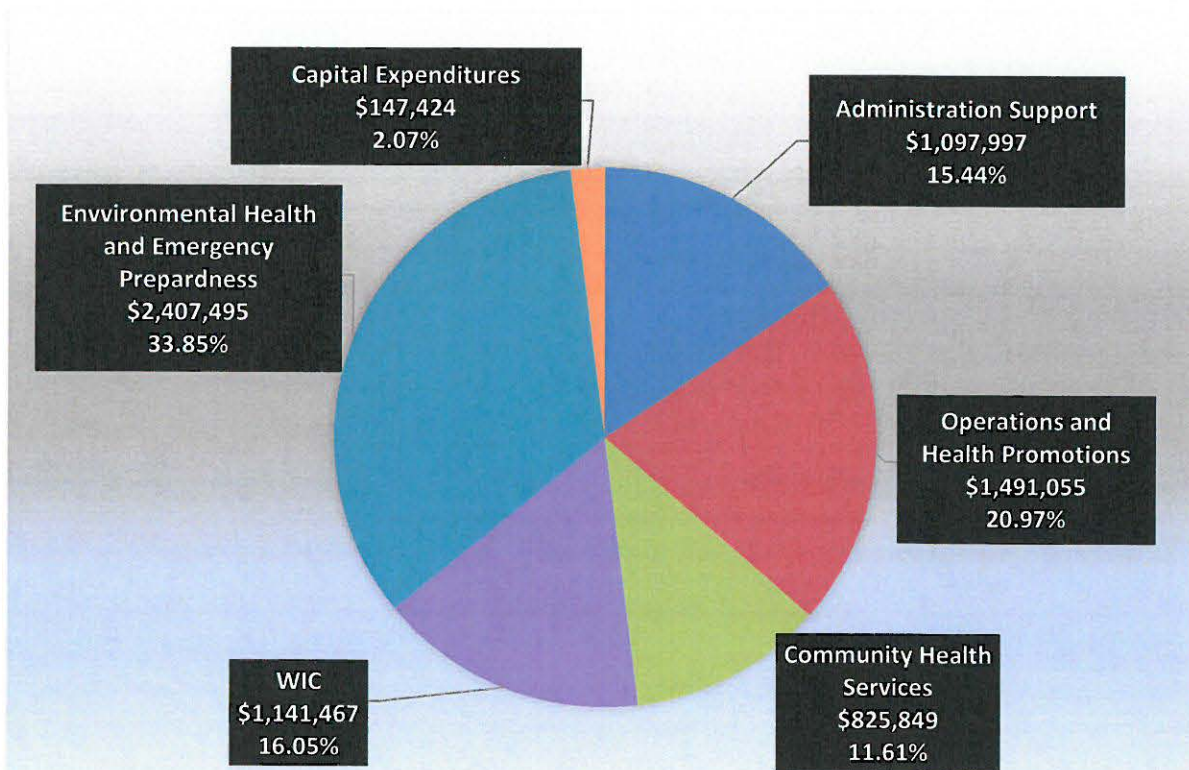
Overview of the Financial Statements

Pueblo City-County Health Department is funded from a variety of sources. In 2017, 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, 2017**



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



**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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>2017</u>	<u>2016</u>
Current and other assets	\$ 2,847,385	\$ 2,554,821
Capital assets	422,937	396,974
Total assets	<u>\$ 3,270,322</u>	<u>\$ 2,951,795</u>
Deferred outflows of resources	<u>\$ 2,246,558</u>	<u>\$ 1,962,235</u>
Current liabilities	\$ 425,584	\$ 387,213
Pension liability	8,165,250	7,300,177
Long-Term liabilities	458,578	451,633
Total liabilities	<u>\$ 9,049,412</u>	<u>\$ 8,139,023</u>
Deferred inflows of resources	<u>\$ 23,613</u>	<u>\$ 133,974</u>
Net position (Deficit):		
Invested in capital assets	\$ 422,937	\$ 396,974
Restricted	83,464	41,990
Unrestricted	(4,059,546)	(3,797,931)
Total net position (Deficit)	<u>\$ (3,553,145)</u>	<u>\$ (3,358,967)</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, 2017**

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

	<u>2017</u>	<u>2016</u>
Expenditures		
Health and welfare		
Administrative	\$ 2,095,859	\$ 1,505,402
Disease prevention and emergency preparedness	1,374,528	1,028,140
Community health services	1,809,809	1,787,701
Environment health	2,279,462	1,790,755
Total expenditures	<u>\$ 7,559,658</u>	<u>\$ 6,111,998</u>
 Revenues		
Program revenues		
Charges for services	\$ 1,221,935	\$ 1,034,377
Intergovernmental grants	3,929,718	3,584,859
Other grants	401,481	125,554
General revenues		
Intergovernmental	1,797,782	1,812,783
Investment earnings	11,699	5,388
Other	2,865	24,978
Total revenues	<u>\$ 7,365,480</u>	<u>\$ 6,587,939</u>
 Change in net position	 <u>\$ (194,178)</u>	 <u>\$ 475,941</u>

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

The table below shows the condensed budget comparison for 2017:

	<u>Final Budget</u>	<u>Actual</u>
Revenues		
Charges for service	\$ 1,089,219	\$ 1,221,935
Intergovernmental	1,797,782	1,797,782
Grants and contributions	4,230,394	4,334,064
Investment earnings	1,500	11,699
	<u>7,118,895</u>	<u>7,365,480</u>
Expenditures		
Personnel and benefits	5,556,016	5,444,582
Operating	1,535,679	1,519,281
Capital outlay	27,200	147,424
	<u>7,118,895</u>	<u>7,111,287</u>
	<u>\$ -</u>	<u>\$ 254,193</u>

Economic Factors and Next Year's Budget

The Pueblo City-County Health Department ended the year with revenues in excess of expenditures in the amount of \$254,193. Charges for services increased due to rate increases and medical billing to insurance companies.

Actual expenditures were under budget by \$7,608 but capital outlays increased with the purchase of department vehicles.

The Pueblo City-County Health Department will be changing its name in 2018 to The Pueblo Department of Public Health and Environment. There will be no change to the Federal ID # nor to the services provided. 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, but revenue will remain consistent allowing for a balanced budget to be adopted for 2018. The Pueblo City-County Health Department will continue to research new funding sources to meet the Public Health needs of the community, and was not amended.

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.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 678,039
Investments	1,028,472
Accounts receivable	1,067,109
Prepaid items	73,765
Capital assets, net of depreciation	422,937
Total assets	\$ 3,270,322
 Deferred outflows of resources	 \$ 2,249,558
 Liabilities	
Accounts payable	\$ 190,292
Due to related party	24,143
Due to other governments	26,871
Accrued liabilities	8,882
Prepaid fees and grants	175,396
Net pension liability	8,165,250
Long-term liabilities	
Due within one year:	
Compensated absences	33,924
Due in more than one year:	
Compensated absences	424,654
Total liabilities	\$ 9,049,412
 Deferred inflows of resources	 \$ 23,613
 Net position	
Net investment in capital assets	422,937
Restricted	83,464
Unrestricted	(4,059,546)
Total net position	\$ (3,553,145)

See notes to financial statements

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENT-WIDE FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Activities</u>
Expenses	
Health and welfare	
Administrative support	\$ 2,095,859
Disease prevention and emergency preparedness	1,374,528
Community health services	1,809,809
Environmental health	<u>2,279,462</u>
Total expenses	<u><u>\$ 7,559,658</u></u>
 Program Revenues	
Charges for services	1,221,935
Operating grants and contributions	
City of Pueblo-special allocation	819,482
County of Pueblo-special allocation	978,300
Intergovernmental specific grants	3,929,718
Contributions and private grants	401,481
Other	2,865
Total program revenue	<u>7,353,781</u>
 General revenues	
Investment earnings	<u>11,699</u>
 Change in net position	(194,178)
 Net position - beginning	(3,358,967)
 Net position - ending	<u><u>\$ (3,553,145)</u></u>

See notes to financial statements

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
DECEMBER 31, 2017**

ASSETS

Cash and cash equivalents	\$ 678,039
Investments	1,028,472
Accounts receivable	1,067,109
Prepaid items	<u>73,765</u>
Total assets	<u><u>\$ 2,847,385</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 190,292
Due to related party	24,143
Due to other governments	26,871
Accrued liabilities	8,882
Prepaid fees	<u>175,396</u>
Total liabilities	<u><u>425,584</u></u>

Fund balance

Nonspendable	73,765
Restricted	83,464
Committed	1,352,984
Assigned	275,000
Unassigned	<u>636,588</u>
Total fund balance	<u><u>2,421,801</u></u>

Total liabilities and fund balance	<u><u>\$ 2,847,385</u></u>
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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, 2017**

Total fund balance - governmental fund \$ 2,421,801

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 governmental funds.

Net pension liability	(8,165,250)
Deferred outflows of resources - pension	2,249,558
Deferred inflows of resources - pension	(23,613)

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

Capital assets	1,963,018
Accumulated depreciation	(1,540,081)

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

(458,578)

Total net position - governmental activities	\$ <u><u>(3,553,145)</u></u>
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**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

Expenditures

Health and Welfare	
Administrative support	\$ 1,099,179
Disease prevention and emergency preparedness	1,489,874
Community health services	1,967,316
Environmental health	2,407,494
Capital outlay	147,424
Total expenditures	<u>7,111,287</u>

Program revenues

Charges for services	1,221,935
Operating grants and contributions	
City of Pueblo-special allocation	819,482
County of Pueblo-special allocation	978,300
Intergovernmental specific grants	3,929,718
Contributions and private grants	401,481
Other	2,865
Total program revenues	<u>7,353,781</u>

General revenue

Investment earnings	<u>11,699</u>
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Net revenues	<u>7,365,480</u>
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Net change in fund balance	254,193
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Fund balance - beginning	<u>2,167,608</u>
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Fund balance - ending	<u><u>\$ 2,421,801</u></u>
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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, 2017**

Total net change in fund balance - governmental funds	\$ 254,193
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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	(121,461)
Capital outlay	147,424

Changes in the net pension liability, deferred inflows and outflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,011,857)
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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.	544,468
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Governmental funds report compensated absences as expenses when paid. However, in the statement of activities the expense is accrued.

Prior year compensated absences payable	451,633
Current year compensated absences payable	(458,578)

Change in net position - governmental activities	\$ (194,178)
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**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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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:

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Nonspendable – Includes items not expected to be converted to cash in the near term or funds that legally or contractually must be maintained intact.

Restricted – Includes items restricted by external sources like grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed- Includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Health. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned – Consists of funds intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The Pueblo City-County Health Department has delegated the authority to the Public Health Director, or her designee, to assign funds and amounts to be used for specific purposes.

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

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.
- *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 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 2017 for supplemental appropriations.

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

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

Cash on hand	\$ 329,042
Demand deposits	18,570
Deposit with County Treasurer	330,427
Total cash and cash equivalents	<u>\$ 678,039</u>

Deposits –At December 31, 2017, the bank balance of the Health Department’s deposits, including deposits with County Treasurer, was \$797,848. Of the bank balance, \$264,639 was covered by federal depository insurance and \$321,104 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits, but are not subject to credit risk because they are collateralized with securities held by the pledging financial institutions’ agent in the Health Department’s name or County Treasurer.

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 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.

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.

The Health Department invests in the ColoTrust Plus+ and C-Safe which 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

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

NOTE 1 – CASH, CASH EQUIVALENTS, INVESTMENTS, AND DEPOSITS - Continued

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, 2017, the following summarizes the investments and maturities of the Health Department:

Investment Type	Fair Value	Investments with Less Than One Year Maturities
Colo Trust Plus+	\$ 457,474	\$ 457,474
C-Safe	570,998	570,998
Total Investments	\$ 1,028,472	\$ 1,028,472

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.

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, 2017, the County’s investments, in ColoTrust Plus+ and C-SAFE, were rated AAAM by Standard & Poor's.

NOTE 2 – RECEIVABLES

Receivables at December 31, 2017, consist of the following:

Colorado Department of Health	\$ 632,783
Other	434,326
	\$ 1,067,109

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

NOTE 3 - CAPITAL ASSETS

An analysis of changes in capital assets for the year ended December 31, 2017, follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Depreciable assets				
Furniture and fixtures	\$ 405,914	\$ 5,319	\$ (1,844)	\$ 409,389
Computer hardware and software	468,277	-	(34,477)	433,800
Equipment	997,165	142,105	(64,928)	1,074,342
Improvements	1,977	-	-	1,977
Total depreciable assets	<u>1,873,333</u>	<u>147,424</u>	<u>(101,249)</u>	<u>1,919,508</u>
Non-depreciable assets				
Art	43,510	-	-	43,510
Total capital assets	<u>\$ 1,916,843</u>	<u>\$ 147,424</u>	<u>\$ (101,249)</u>	<u>\$ 1,963,018</u>
Less: accumulated depreciation				
Furniture and fixtures	\$ (289,771)	\$ (34,652)	\$ 1,844	\$ (322,579)
Computer hardware and software	(381,700)	(38,376)	34,477	(385,599)
Equipment	(847,310)	(48,235)	64,928	(830,617)
Improvements	(1,088)	(198)	-	(1,286)
Total accumulated depreciation	<u>(1,519,869)</u>	<u>(121,461)</u>	<u>101,249</u>	<u>(1,540,081)</u>
Total capital assets, net	<u>\$ 396,974</u>	<u>\$ 25,963</u>	<u>\$ -</u>	<u>\$ 422,937</u>

Depreciation expense was charged to functions/programs as follows:

Administrative support	\$ 44,773
Disease prevention & emergency preparedness	3,438
Community health services	13,230
Environmental health services	60,020
	<u>\$ 121,461</u>

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

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, 2017:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences	\$ 451,633	\$ 6,945	\$ -	\$ 458,578	\$ 33,924
			Obligations due beyond one year		
			Compensated absences		<u>\$ 424,654</u>

NOTE 5 - OPERATING LEASES

The Health Department leases various operating spaces under noncancelable leases with third parties, which expire through 2019. Total lease expense for the year ended December 31, 2017, was \$9,548.

<u>December 31,</u>	<u>Future Minimum Lease Payments</u>
2018	8,815
2019	6,611
Total	<u>\$ 15,426</u>

NOTE 6 - FUND BALANCES

In the fund financial statements, the governmental fund reports the following classification of fund balance at December 31, 2017:

	<u>Fund Financial Statements</u>
Nonspendable	
Prepaid items	\$ 73,765
Restricted	
Donations and deferred income	83,464
Committed	
Capital replacement	142,828
General operating fund	1,100,156
Employee benefit fund	110,000
Total committed fund balance	<u>1,352,984</u>
Assigned	
Core services and emergency operating	275,000
Unassigned	636,588
Total fund balance	<u>\$ 2,421,801</u>

**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 – DEFINED BENEFIT PENSION PLAN

Summary of significant Accounting Policies

Plan Description - The Health Department participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-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.

General Information about the Pension Plan

Plan description - Eligible employees of the Pueblo City-County 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.

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.

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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, 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 and all benefit recipients of the DPS benefit structure 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 (AIR) 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 Pueblo City-County 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.

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

The employer contribution requirements 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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Pueblo City-County Health Department is statutorily committed to pay the contributions to the LGDTF. For the years ended December 31, 2017, 2016, and 2015, the Health Department's employer contributions to LGDTF were \$544,468, \$502,128, and \$515,652, which were equal to its required contributions for each year.

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

At December 31, 2017 the Pueblo City-County Health Department reported a liability of \$8,165,250 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 Pueblo City-County Health Department proportion of the net pension liability was based on Pueblo City-County 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 Pueblo City-County Health Department proportion was .6047 percent, which was a decrease of .05 percent from its proportion measured as of December 31, 2015.

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

For the year ended December 31, 2017 the Pueblo City-County Health Department, recognized pension expense of \$1,011,857. At December 31, 2017., the Pueblo City-County Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 145,305	\$ -
Changes in assumptions or other inputs	579,175	23,613
Net difference between projected and actual earnings on pension plan investments	980,610	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	544,468	-
Total	\$ 2,249,558	\$ 23,613

\$544,468 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended December 31,	
2018	\$ 436,049
2019	274,782
2020	9,324
	<u>\$ 720,155</u>

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

Actuarial assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, 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 increase, including wage inflation	3.90-10.85 percent
Long-term investments 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	2.00 percent
PERA benefit structure hired after 12/31/06	Financed by the Annual Increase Reserve (AIR)

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 increase, including wage inflation	3.50-10.45 percent
Long-term investments 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	2.00 percent
PERA benefit structure hired after 12/31/06	Financed by the Annual Increase Reserve (AIR)

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.

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

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 PERA'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 table 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, a 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 return on plan assets is reviewed as part of regular experience studies prepared every four or 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 the 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.

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

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:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Geometric Real Rate of Return %</u>
US Equity - Large Cap	21.20	4.30
US Equity - Small Cap	7.42	4.80
Non US Equity - Developed	18.55	5.20
Non US 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	100.00	

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 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 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 0.50% every year until they are zero. Additionally, estimated employer contributions

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

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.
- 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 percent 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 Pueblo City-County 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 at December 31, 2017, calculated using the discount rate of 7.25 percent, 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%	Discount Rate 7.25%	1% Increase 8.25%
Health Department's proportionate share of net pension liability	\$ 8,083,598	\$ 8,165,250	\$ 8,981,775

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

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 9 – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the Pueblo City-County 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.

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. For the year ended December 31, 2017, program members contributed \$29,447.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The Pueblo City-County 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 Pueblo City-County 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 Pueblo City-County 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, 2017, 2016 and 2015, the Pueblo City-County Health Department contributions to the HCTF were \$40,608, \$32,071, and \$38,846 respectively, equal to their required contributions for each year.

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

NOTE 11 - 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, 2017:

City of Pueblo

Operating subsidy provided to the Health Department - recorded as revenue in the Statement of Activities	\$ 819,482
--	------------

Payments to the City made for automotive repairs and maintenance for the Health Department's vehicles - recorded as expenses in the Statement of Activities	\$ 9,997
---	----------

County of Pueblo

Operating subsidy provided to the Health Department - recorded as revenue in the Statement of Activities	\$ 978,300
--	------------

Payments made to the County for use of data processing programs and applications - recorded as expenses in the Statement of Activities	\$ 51,545
--	-----------

On December 31, 2017, the Health Department had \$6,930 in accounts payable to employees, and \$17,213 payable to the County of Pueblo.

NOTE 12 - 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.

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, 2017.

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

NOTE 13 - 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, 2017, is as follows:

Per Capita	\$ 281,870
Disease and Prevention and Emergency Preparedness	786,858
Community Health Services	1,717,622
Environmental Health Services	684,782
	<u>\$ 3,471,132</u>

The Health Department also received WIC, in-kind food coupons, from the Colorado Department of Public Health & Environment, in the amount of \$2,630,354. 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 14 - SUBSEQUENT EVENT

Effective May 2018 the Pueblo City-County Health Department changed its name to the Pueblo Department of Public Health and Environment.

Management has evaluated subsequent events through June 18, 2018, the date on which the financial statements were available to be issued.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE,
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Charges for services	\$ 1,089,219	\$ 1,089,219	\$ 1,221,935	\$ 132,716
Intergovernmental -				
City of Pueblo - special allocation	819,482	819,482	819,482	-
County of Pueblo - special allocation	978,300	978,300	978,300	-
Specific grants	3,905,470	3,905,470	3,929,718	24,248
Contributions and private grants	324,924	324,924	401,481	76,557
Other	-	-	2,865	2,865
Investment earnings	1,500	1,500	11,699	10,199
Total revenues	<u>7,118,895</u>	<u>7,118,895</u>	<u>7,365,480</u>	<u>246,585</u>
Expenditures				
Personnel services	4,309,286	4,309,286	4,098,577	(210,709)
Pension contributions	574,082	574,082	544,468	(29,614)
Fringe benefits	672,648	672,648	801,537	128,889
Operating costs	411,514	411,514	362,963	(48,551)
Travel	165,593	165,593	156,794	(8,799)
Public education	176,121	176,121	217,200	41,079
Supplies	327,124	327,124	335,919	8,795
Other	455,327	455,327	446,405	(8,922)
Capital outlay	27,200	27,200	147,424	120,224
Total expenditures	<u>7,118,895</u>	<u>7,118,895</u>	<u>7,111,287</u>	<u>(7,608)</u>
Net change in fund balance	-	-	254,193	254,193
Beginning fund balance	-	-	2,167,608	2,167,608
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	2,421,801	<u>\$ 2,421,801</u>
GAAP adjustments				
Capital assets			422,937	
Compensated absences			(458,578)	
Pension liability and deferred inflows/outflows			(5,939,305)	
NET POSITION ENDING			<u>\$ (3,553,145)</u>	

See notes to required supplementary information

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
NOTES TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

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, 2017**

Colorado PERA Local Government Division Trust Fund

Proportionate share of total pension liability	\$	30,982,910
Proportionate share of fiduciary net position		(22,817,660)
Proportionate share of net pension liability	\$	8,165,250
Fiduciary net position as a percentage of total pension liability	\$	73.65%
Covered employee payroll	\$	3,675,975
Net pension liability as a percentage of covered employee payroll		222.1247%
Proportion of net pension liability		0.6047%

* 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.

See notes to financial statements and budgetary comparison schedule

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2017**

Colorado PERA Local Government Division Trust Fund

	Statutory Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as % of Cov. Payroll
2015	\$ 515,652	\$ 515,652	\$ -	\$ 3,763,879	\$ 13.70%
2016	\$ 502,128	\$ 502,128	\$ -	\$ 3,665,021	\$ 13.70%
2017	\$ 544,468	\$ 544,468	\$ -	\$ 3,675,975	\$ 14.81%

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.

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

<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>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from Colorado Department of Public Health and Environment- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	18-FHLA-104044 18-FHLA-104009	<u>\$ 3,760,155</u>
U.S. DEPARTMENT OF DEFENSE			
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	18 FEEA 104322	<u>30,944</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Superfund State Political & Indian Tribe Site Specific Cooperative Agreements	66.802	08UATA00-TR2	<u>131,208</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through from Colorado Department of Public Safety Chemical Stockpile Emergency Preparedness Program	97.040	#17CSEP18PCCH #16CSEP16PCCH	<u>\$ 262,635</u>

Continued on page 39

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

Continued from page 38

<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>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from Colorado Department of Public Health and Environment			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) aligned Cooperative Agreements (Ebola)	93.074	18 FAAA 98462	398,889
Family Planning Services	93.217	18 FHLA 100574	51,514
Immunization Cooperative Agreements	93.268	FAAA 18 106320 7 FHHA 97077	55,018
ACA-State Innovation Models: Funding for Model Design and Model Testing Assitance	93.624	18 FHLA 100386	162,493
Child Lead Poisoning Prevention Survelience Financed in party by Prevention and Public Health (PHF) Program	93.753	18 FHHA 103583	14,618
Preventive Health and Services Block Grant	93.758	FAA 201700004159	12,500
Maternal & Child Health Services Block Grant	93.994	18 FHELA 103795	128,710
Injury Prevention and control research and State and Community Based Programs	93.136	FAA 17 FHLA 96927	42,905
Performance partnership grants	66.605	FAA 201700005331	6,423
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>873,070</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 5,058,012</u>

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, 2017**

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 the Uniform Guidance. 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.

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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, 2017, 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 18, 2018.

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.

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.

A handwritten signature in cursive script that reads "Osborne, Parsons & Mosacher LLP". The signature is written in black ink and is positioned above the printed name of the firm.

Osborne, Parsons & Mosacher LLP
Colorado Springs, Colorado

June 18, 2018

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**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, 2017. 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.

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, 2017.

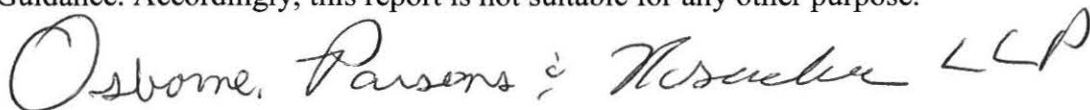
Report on Internal Control Over Compliance

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.



Colorado Springs, Colorado

June 18, 2018

**PUEBLO CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017**

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