
TRI-COUNTY HEALTH DEPARTMENT

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Health
Tri-County Health Department
Greenwood Village, Colorado

Report On The Financial Statements

We have audited the financial statements of the governmental activities and the major fund of Tri-County Health Department (the Department), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Department as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi, budgetary comparison information on page 44, the schedules of the Department's proportionate share of the net pension liability and contributions to the pension plan on pages 45 through 46 and the schedules of the Department's proportionate share of the net OPEB liability and the contributions to the OPEB plan on pages 47 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying schedule of expenditures of federal awards, as required by 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*, is presented for purposes of additional analysis and is 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. 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 3, 2021 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

RubinBrown LLP

June 3, 2021



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

This brief report is for the Tri-County Health Department (the "Department") for the year ended December 31, 2020. Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Department during 2020. The MD&A should be read in conjunction with the Department's basic financial statements.

Background Information

The Tri-County Health Department was established, in accordance with C.R.S. 25-1-506, to provide local public health services to the 1.5 million residents of Adams, Arapahoe, and Douglas Counties. The Department's mission is to protect, promote, and improve the health, environment and quality of life of the residents of Adams, Arapahoe and Douglas Counties. The Department provides all core public health services identified in the Colorado State Board of Health, Core Public Health Services Rule, these include: Assessment, Planning and Communication; Vital Records and Statistics; Communicable Disease Prevention, Investigation and Control; Prevention and Population Health Promotion; Emergency Preparedness and Response; Environmental Health; Administration and Governance.

Financial Highlights

- The assets and deferred outflows of resources of the Department were less than its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,252,451 (*net position*).
- The Department's total net position increased by \$5,126,316 during fiscal year 2020.
- At the close of the current fiscal year, the Department's governmental fund reported a fund balance of \$25,981,992, an increase of \$4,629,982 from the prior year. Approximately 44% of this amount, \$11,459,028, is available for spending at the Department's discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and the *unassigned* components of *fund balance*) was \$25,123,386, or approximately 52% of total general fund expenses.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Tri-County Health Department's basic financial statements. The Tri-County Health Department's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Department's assets and liabilities. The difference between the two is 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 Department is improving or deteriorating.

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

Fund Financial Statements

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

Government Funds

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

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning Tri-County Health Department's progress in funding its obligation to provide pension benefits to its employees.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Financial Efforts of 2020

The Department's financial activities center on providing the citizens of the area a wide variety of public health activities including restaurant inspections, immunizations, nutritional education, disease outbreak identification and management, tobacco prevention and control, and emergency preparedness.

Department revenue consists primarily of funds received from Adams, Arapahoe, and Douglas Counties, intergovernmental (state and federal) and other revenue (collected from licenses, fees and permits).

The table below shows the condensed Statement of Net Position as of December 31, 2020 and 2019:

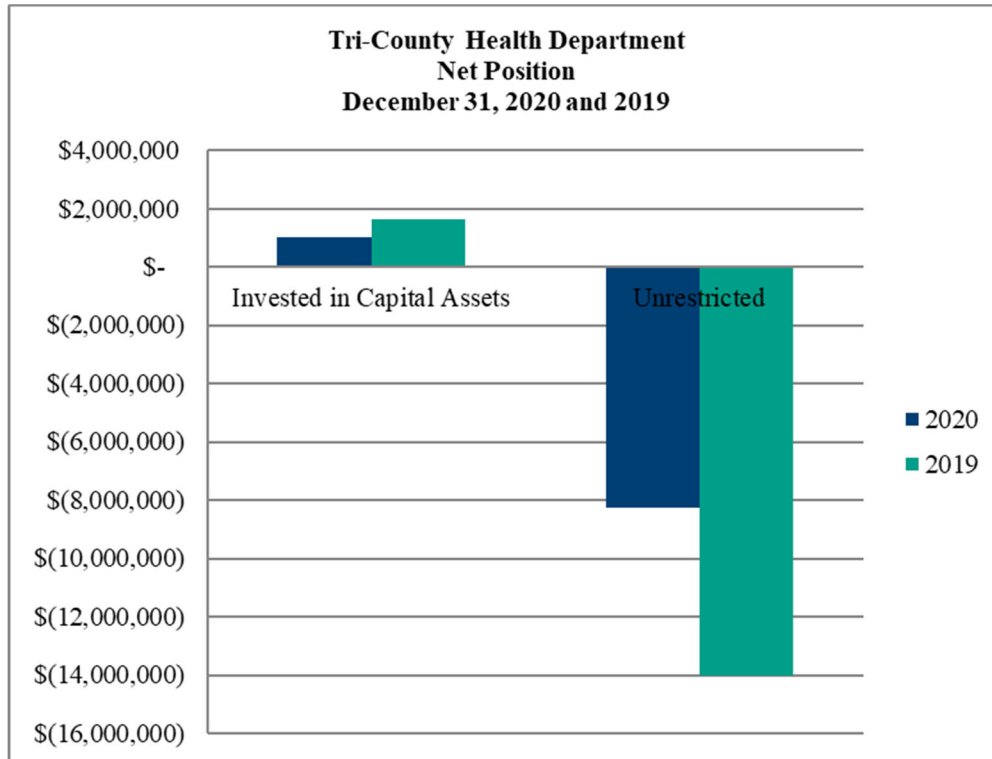
	<u>2020</u>	<u>2019</u>
Current Assets	\$ 33,265,970	\$ 25,519,474
Capital Assets	1,030,078	1,641,328
Total Assets	<u>34,296,048</u>	<u>27,160,802</u>
Deferred Outflows of Resources	5,118,735	11,060,590
Total Assets and Deferred Outflows of Resources	<u>\$ 39,414,783</u>	<u>\$ 38,221,392</u>
Current Liabilities	7,727,633	4,464,981
Noncurrent Liabilities	28,249,055	46,129,915
Total Liabilities	<u>35,976,688</u>	<u>50,594,896</u>
Deferred Inflows of Resources	10,690,546	5,263
Net Position:		
Invested in Capital Assets	1,030,078	1,641,328
Unrestricted	(8,282,529)	(14,020,095)
Total Net Position	<u>(7,252,451)</u>	<u>(12,378,767)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 39,414,783</u>	<u>\$ 38,221,392</u>

Tri-County Health Department implemented GASB 68 in 2015. With the new reporting change, the Department is allocated its proportionate share of the Local Government Public Employees' Retirement Association's net pension asset, deferred outflows of resources, deferred inflows of resources and pension expense. Decisions regarding the allocations are made by the administration of the pension plan.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

The chart below shows the Net Position as of December 31, 2020 and 2019:





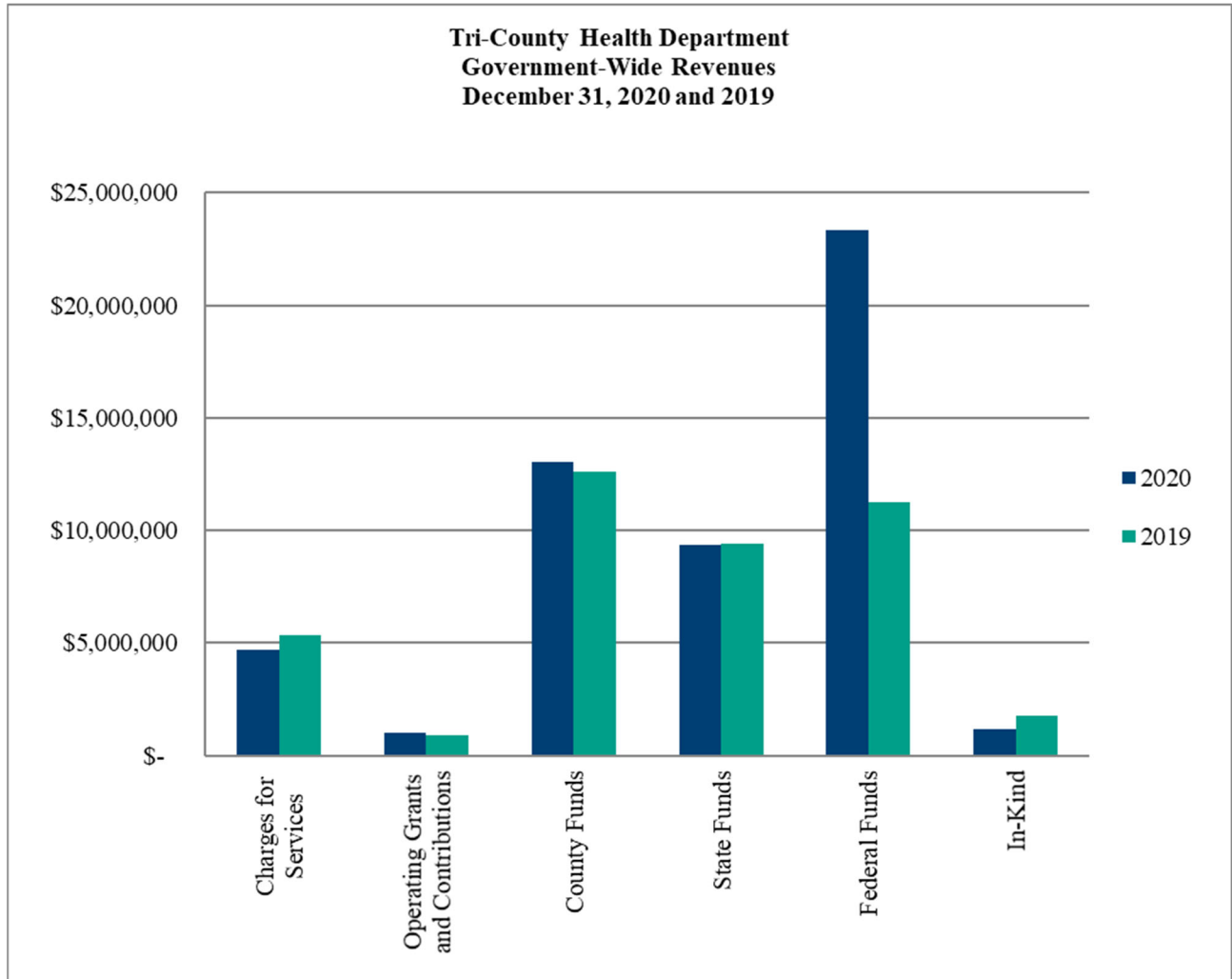
**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

The table below shows the condensed Statement of Activities as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program Revenues:		
Charges for Services	\$ 4,707,504	\$ 5,318,426
Operating Grants and Contributions	1,010,568	921,928
General Revenues:		
County Funds	13,018,974	12,579,827
State Funds	9,329,726	9,396,039
Federal Funds	23,347,411	11,274,056
In-Kind	1,154,627	1,745,120
Total Revenues	<u>52,568,810</u>	<u>41,235,396</u>
Expenses:		
Public Health and Welfare	<u>47,442,494</u>	<u>36,457,931</u>
Total Expenses	<u>47,442,494</u>	<u>36,457,931</u>
Change in Net Position	<u>\$ 5,126,316</u>	<u>\$ 4,777,465</u>



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

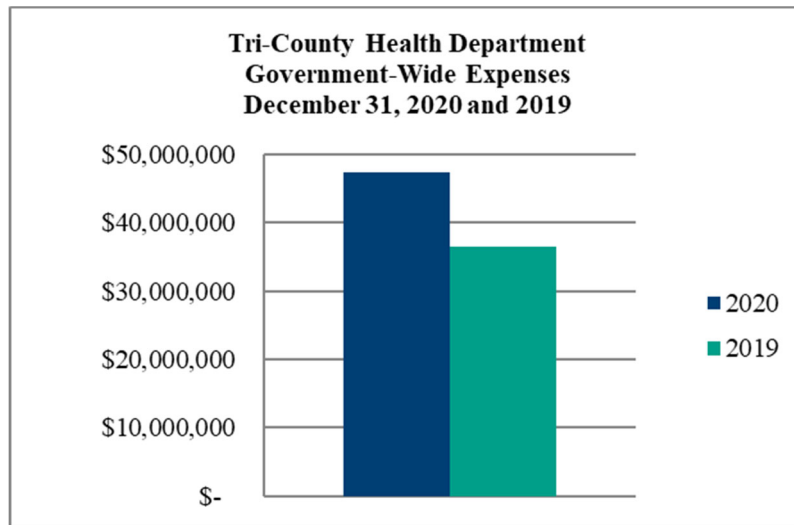


Government-wide revenues from federal grants increased from the previous year due primarily to Coronavirus Relief Funds.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
December 31, 2020**

Total government-wide expenses for the Department increased from 2019 to 2020 by approximately \$10.9 million, primarily due to expenses related to the COVID-19 response.



The table below shows the condensed budget comparison for 2020:

	<u>Final Budget</u>	<u>Actual</u>
Revenues		
Contributions from Counties	\$ 22,264,860	\$ 13,018,974
State and Federal Funds	27,830,927	32,677,137
Fees	5,170,891	4,707,504
Grants and Contracts	1,197,238	1,010,568
Other	3,312,162	1,154,627
Total Revenues	<u>59,776,078</u>	<u>52,568,810</u>
Expenditures		
Personnel	37,601,793	32,073,420
Operating	18,687,288	14,313,538
Capital Outlay	1,922,835	397,243
In-Kind	1,564,162	1,154,627
Total Expenditures	<u>59,776,078</u>	<u>47,938,828</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 4,629,982</u>

The Department ended the year of 2020 with revenues in excess of expenditures in the amount of \$4,629,982.



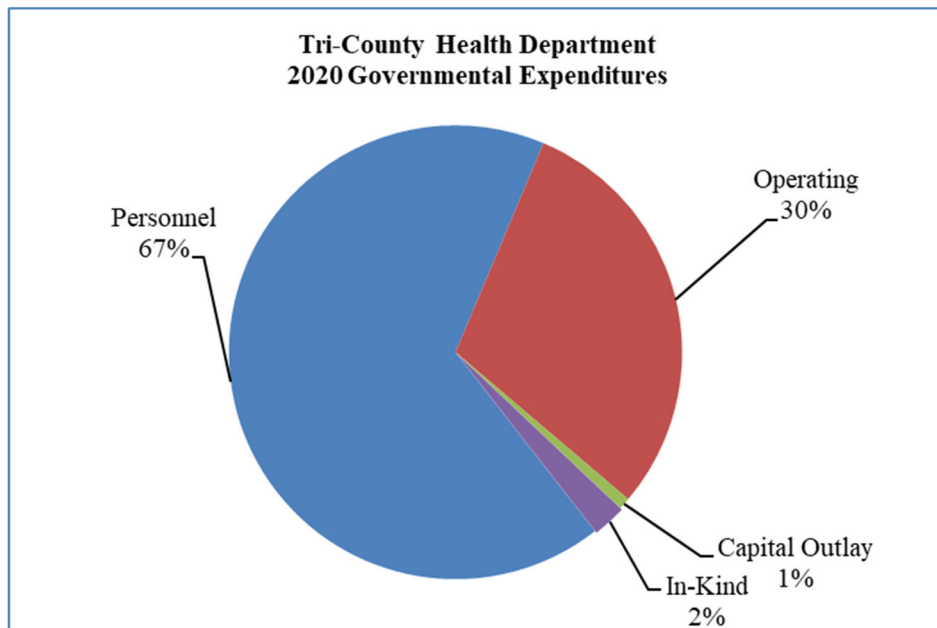
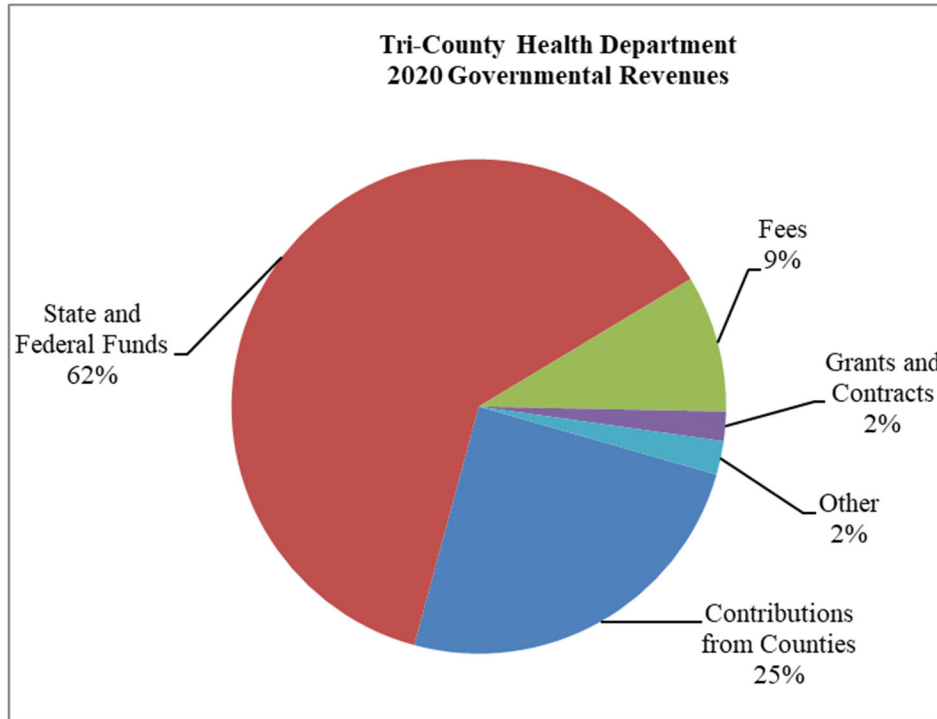
**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Total revenue was lower than budgeted by \$7,207,268 primarily in contributions from Counties.

Actual expenditures of \$47,938,828 were under budget by \$11,837,250 for 2020. Factors include the following:

1. Personnel costs were under budget by approximately \$5,528,373.
2. Operating expenses were under budget by \$4,373,750.
3. Capital outlays were less than budgeted by approximately \$1,525,592, as planned software purchases were not made in 2020.

**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**





**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Capital Assets

The Department's investment in capital assets as of December 31, 2020 amounts to \$1,030,078 (net of accumulated depreciation). The capital assets include computer equipment, computer software, furniture, improvements to buildings, and other equipment with a cost of \$5,000 or more.

The following table shows the capital assets for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Depreciable Capital Assets		
Office furniture and equipment	1,525,700	1,474,262
Computer equipment	1,236,776	1,205,114
Computer software	164,718	164,718
Leasehold improvements	4,742,526	4,717,001
Total Depreciable Capital Assets	<u>7,669,720</u>	<u>7,561,095</u>
Accumulated depreciation	<u>(6,639,642)</u>	<u>(5,919,767)</u>
Total Capital Assets Being Depreciated, Net	<u>1,030,078</u>	<u>1,641,328</u>
Net Capital Assets	<u>\$ 1,030,078</u>	<u>\$ 1,641,328</u>

Capital additions for 2020 totaled \$150,922 and consisted of computer equipment, office furniture and leasehold improvements.

Summary

Future revenues and expenditures will depend on the economic climate of Adams, Arapahoe, and Douglas Counties, the State of Colorado and the United States. The potential exists for the Department to realize budget and program cuts at the state and federal level or other budgetary/funding mandates outside of the Department's control. These cuts may affect the level of services that the Department will provide in the future.

Programs will be evaluated to assure that adequate funding is available to sustain the level of services required and to meet the goal of the Department to be fiscally self-sufficient.



**TRI-COUNTY HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020**

Any questions concerning this report or the financial affairs of the Department can be directed to the Director of Administration and Finance of Tri-County Health Department.

Tri-County Health Department
Administration and Finance Division
Attention: Monique Didier, Director
6162 South Willow Drive, Suite 100
Greenwood Village, CO 80111
303-220-9200

TRI-COUNTY HEALTH DEPARTMENT

STATEMENT OF NET POSITION

December 31, 2020

Assets And Deferred Outflows Of Resources

	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 6,029,091
Investments	15,048,407
Accounts receivable	11,188,858
Inventory	254,172
Deposits	141,008
Prepaid items	604,434
Total Current Assets	<u>33,265,970</u>
Capital Assets	
Capital assets, net of accumulated depreciation	<u>1,030,078</u>
Total Assets	<u>34,296,048</u>
Deferred Outflows Of Resources	
Related to pension	4,717,518
Related to OPEB	401,217
Total Deferred Outflows Of Resources	<u>5,118,735</u>
Total Assets And Deferred Outflows Of Resources	<u>\$ 39,414,783</u>

Liabilities, Deferred Inflows Of Resources And Net Position

Current Liabilities	
Accounts payable	\$ 1,396,241
Accrued liabilities	1,838,484
Unearned revenue	4,244,189
Compensated absences	248,719
Total Current Liabilities	<u>7,727,633</u>
Noncurrent Liabilities	
Net pension liability	23,273,634
Net OPEB liability	2,736,948
Compensated absences	2,238,473
Total Noncurrent Liabilities	<u>28,249,055</u>
Total Liabilities	<u>35,976,688</u>
Deferred Inflows Of Resources	
Related to pension	10,066,301
Related to OPEB	624,245
Total Deferred Inflows Of Resources	<u>10,690,546</u>
Net Position	
Net investment in capital assets	1,030,078
Unrestricted	(8,282,529)
Total Net Position	<u>(7,252,451)</u>
Total Liabilities, Deferred Inflows Of Resources And Net Position	<u>\$ 39,414,783</u>

TRI-COUNTY HEALTH DEPARTMENT

**STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020**

Function/Program	Expenses	Program Revenues		Changes In Net Position Primary Government
Governmental Activities	Expenses	Charges For Services	Operating Grants And Contributions	Governmental Activities
Public health and welfare	\$ 47,442,494	\$ 4,707,504	\$ 1,010,568	\$ (41,724,422)
General Revenues				
				13,018,974
				9,329,726
				23,347,411
				1,154,627
			Total General Revenues	46,850,738
			Change In Net Position	5,126,316
			Net Position, Beginning Of Year	(12,378,767)
			Net Position, End Of Year	\$ (7,252,451)

TRI-COUNTY HEALTH DEPARTMENT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2020

Assets

	<u>General Fund</u>
Current Assets	
Cash	\$ 6,029,091
Investments	15,048,407
Accounts receivable	11,188,858
Inventory	254,172
Deposits	141,008
Prepaid items	604,434
	<hr/>
Total Assets	\$ 33,265,970

Liabilities And Fund Balance

Liabilities	
Accounts payable	\$ 1,396,241
Accrued liabilities	1,643,548
Unearned revenue	4,244,189
Total Liabilities	<hr/> 7,283,978 <hr/>
Fund Balance	
Nonspendable fund balance:	
Inventory	254,172
Prepays	604,434
Committed fund balance:	
Committed for future employee compensated absences	1,452,347
Emergency operating reserves	10,390,436
Assigned fund balance:	
Facilities master plan	979,100
Information technology	583,387
Capital replacement	259,088
Unassigned fund balance:	
Operating capital	11,459,028
Total Fund Balance	<hr/> 25,981,992 <hr/>
Total Liabilities And Fund Balance	\$ 33,265,970

TRI-COUNTY HEALTH DEPARTMENT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION December 31, 2020

Total Governmental Fund Balance	\$ 25,981,992
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,030,078
Deferred rent is not due and payable in the current period and, therefore, is not reported at the fund level; however, it is reported on the government-wide statement of net position.	(194,936)
Compensated absences are liabilities that are not due and payable in the current period and, therefore, are not reported at the fund level; however, they are reported on the government-wide statement of net position.	(2,487,192)
Pension plan accounts, such as deferred outflows/inflows and net pension liability, are not receivable or payable in the current period and, therefore, not reported in the funds.	
Net pension liability	(23,273,634)
Deferred outflows of resources	4,717,518
Deferred inflows of resources	(10,066,301)
Other post-employment accounts, such as deferred outflows/inflows and net OPEB liability, are not receivable or payable in the current period and, therefore, not reported in the funds.	
Net OPEB liability	(2,736,948)
Deferred outflows of resources	401,217
Deferred inflows of resources	(624,245)
Net Position Of Governmental Activities	<u><u>\$ (7,252,451)</u></u>

TRI-COUNTY HEALTH DEPARTMENT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND For The Year Ended December 31, 2020

	<u>General Fund</u>
Revenues	
County funds	\$ 13,018,974
Grants and contracts	1,010,568
Fees administration	1,800,560
Nutrition	58,515
Nursing	275,638
Environmental health	2,572,759
Epidemiology planning and communications	32
State funds	9,329,726
Federal funds	23,347,411
In-kind	1,154,627
Total Revenues	<u>52,568,810</u>
Expenditures	
Current:	
Public health and welfare	47,541,585
Capital outlays	397,243
Total Expenditures	<u>47,938,828</u>
Change In Fund Balance	4,629,982
Fund Balance, Beginning Of Year	<u>21,352,010</u>
Fund Balance, End Of Year	<u><u>\$ 25,981,992</u></u>

TRI-COUNTY HEALTH DEPARTMENT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2020

Change In Fund Balance - Total Governmental Fund \$ 4,629,982

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

Governmental funds report capital outlay as expenditures, but in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital outlay	150,922
Depreciation expense	(762,172)

Governmental funds do not report asset deletions or losses; however, in the statement of activities, these assets and accumulated depreciation are removed and losses are recorded.

Assets removed	(42,297)
Accumulated depreciation	42,297

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in abated rent.

(61,696)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences, December 31, 2020	(2,487,192)
Compensated absences, December 31, 2019	1,642,766

Pension and OPEB benefit related to the cost-sharing multiple-employer defined benefit pension plan is recognized on a government-wide basis and not included in the fund statements.

Pension	1,959,868
OPEB	53,838

Change In Net Position - Statement Of Activities \$ 5,126,316

TRI-COUNTY HEALTH DEPARTMENT
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2020

1. Summary Of Significant Accounting Policies

The financial statements of the Tri-County Health Department (the Department) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing standards for governmental accounting and financial reporting.

The Department's annual financial reports include the accounts and funds of all Department operations presented in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

The more significant of the Department's accounting policies are as follows:

Reporting Entity

The Department's mission is to protect, promote and improve the health, environment and quality of life of the residents of Adams, Arapahoe and Douglas Counties. The Department provides all core public health services identified in the Colorado State Board of Health, Core Public Health Services Rule. These include assessment, planning and communication; vital records and statistics; communicable disease prevention, investigation and control; prevention and population health promotion; emergency preparedness and response; environmental health; administration and governance.

The Department is not financially accountable for any other organization, nor is the Department a component unit of any other primary governmental entity.

For financial reporting purposes, the Department includes all funds and account groups for which it is financially accountable. The Department does not exercise any power over any other entity.

Government-Wide And Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Department does not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. For identifying the function to which program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the 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 Department used the following fund during 2020:

Governmental Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

Measurement Focus And Basis Of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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 liabilities are incurred, regardless of the timing of related cash flows.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

All governmental funds are accounted for using the current financial resources measurement focus and the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

County funds, fees, licenses and permits and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the Department.

Expenditures are generally recognized under the modified-accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt and compensated absences, which are recognized when due.

Cash And Investments

The Department's cash and investments are comprised of cash on hand, cash in banks and highly liquid investments with a maturity of three months or less when purchased.

The Department may invest in bonds or other interest-bearing obligations issued by or unconditionally guaranteed by the United States or bonds that are the direct obligations of the State of Colorado or any county, city or school district in the state. The Department may also invest in repurchase agreements of any marketable security otherwise authorized by law, where the market value of such security is at all times at least equal to the moneys involved, and there is assignment of such security pursuant to current depository regulations.

Investments for the Department are reported at fair value, except for certain investments held at amortized cost, which approximate fair value.

Accounts Receivable

Accounts receivable are determined by management to be fully collectible at December 31, 2020; therefore, an allowance for doubtful accounts is not recorded in the financial statements.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Inventory

Inventory is valued at the lower of cost or market, using the average-cost method. The cost of General Fund inventory is recorded as an expenditure when consumed, rather than when purchased.

Capital Assets

Capital assets are recorded at cost except for assets contributed, which are stated at acquisition value on the date of contribution. The Department uses a capitalization threshold of \$5,000 for financial statement purposes and depreciates capital assets on the straight-line basis over either a 5 or a 10-year estimated useful life.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in capital assets.

Compensated Absences

It is the Department's policy to permit employees to accumulate earned but unused vacation benefits (paid time off) up to certain maximum limits. Therefore, a liability for accrued vacation is recorded for full accrual purposes in the government-wide financial statements. However, for governmental fund financial statement purposes, vacation benefits 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.

In-Kind Donations

In-kind donations consist of donated goods and personal services. Donated goods are valued at the donor's assigned value or estimated fair value. Personal services are valued based upon hourly wage rates paid for similar services or at the donor's assigned value. These donations are included as revenue and as program costs to properly reflect the total costs of the Department's operations.

Fund Balance

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

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

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

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

Committed - includes amounts that can only be used for the specific purposes determined by a formal action, a board resolution, of the Department's highest level of decision-making authority, the Tri-County Board of Health (the Board). 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 Board has delegated the authority to the Executive Director, or his 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.

The Board has established an emergency operating reserve equivalent to three months of operating expenses. The purpose of this reserve is to provide the Department with sufficient working capital and a margin of safety to address significant and sudden revenue shortfalls or local and regional emergencies or other critical circumstances, as determined by the Board. The Board has established that the amount shall be used only after all other efforts have been exhausted to fund unanticipated needs and/or emergencies, such as would occur in the event of a declared regional health emergency, catastrophic loss of property or sudden loss of 10% or more of the current fiscal year's General Fund revenue. If the Emergency Operating Fund balance falls below 10% of the total current fiscal year adopted annual appropriations or half of the prior fiscal year ending fund balance, then a budgetary plan shall be implemented to return the reserve to a minimum 10% level in no more than a three-year period. The amount for this reserve will be validated and determined on an annual basis after the annual audit has been completed. As of December 31, 2020, the amount of the estimated three-month emergency operating reserve was \$10,390,436, which is included in committed fund balance.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which the resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements *(Continued)*

Net position represents the difference between assets and deferred inflows of resources, and deferred outflows of resources and liabilities and is classified as net investment in capital assets, restricted or unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding any unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Department or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net position that does not meet these definitions is classified as unrestricted.

Use Of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets And Budgetary Accounting

In accordance with state budget law, the Department's Board holds public hearings in the fall of each year to approve the budget and appropriate the funds for each ensuing year. The appropriation is at the total fund expenditure level and lapses at year end. The Board can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Pensions

The Department participates in the Local Government Division Trust Fund (the LGDTF), a cost-sharing multiple-employer defined benefit pension plan 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.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

OPEB Plan

The Department participates in the Health Care Trust Fund (the HCTF), a cost-sharing multiple-employer defined other post-employment benefits (OPEB) fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The Department has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The Department has recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68 and GASB 75.

2. Noncash Federal Vouchers And Supplies

The Department receives noncash vouchers and supplies, which are required to be recorded in the schedule of expenditures of federal awards; however, these amounts are not recorded in the financial statements. The noncash federal vouchers received and expended in 2020 amounted to \$13,260,093.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

3. Cash And Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2020, the Department had uninsured bank deposits of \$6,896,041 collateralized with securities held by the financial institution's agent, but not in the Department's name.

Custodial Credit Risk - This is the risk that, in the event of a bank failure, the Department's deposits may not be returned to it. As of December 31, 2020, the Department's deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation or collateralized in accordance with PDPA.

Investments

The Department has an investment policy which specifies investment instruments including rating, maturity and concentration risk criteria in which the Department may invest, which is in conformance with federal, state and other legal requirements as well as in accordance with Colorado Revised Statutes (C.R.S.), specifically C.R.S. 24-75-601. The policy allows the following investments:

- United States Treasury obligations
- Federal instrumentality securities
- Time certificates of deposit
- Commercial paper
- Money market mutual funds
- Local government investment pools
- Corporate or bank issue debt

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (Continued)

At December 31, 2020, the Department's investments consisted of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>% Of Total</u>
U.S. Treasury notes	\$ 2,815,652	14%
U.S. agency securities	2,904,762	20%
Certificates of deposit	5,283,923	33%
Corporate bonds	662,169	7%
Money market funds	297,216	0%
Local government investment pool	3,084,685	26%
Total Investments	\$ 15,048,407	100%

At December 31, 2020, the Department had the following investments and maturities:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		<u>Total</u>
			<u>Less Than 1</u>	<u>1 - 5</u>	
U.S. Treasury notes	N/A	\$ 2,815,652	\$ 415,608	\$ 2,400,044	\$ 2,815,652
U.S. agency securities	AA+	2,904,762	638,296	2,266,466	2,904,762
Certificates of deposit	N/A	5,283,923	2,020,845	3,263,078	5,283,923
Corporate bonds	AA+	662,169	435,693	226,476	662,169
Money market funds	AAAm	297,216	297,216	—	297,216
Local government investment pool	AAAm	3,084,685	3,084,685	—	3,084,685
Total		\$ 15,048,407	\$ 6,892,343	\$ 8,156,064	\$ 15,048,407

At December 31, 2020, the Department had an investment held by the Colorado Surplus Asset Fund (CSAFE), a local government investment pool, totaling \$3,084,685, which is valued at amortized cost. Issued financial statements for CSAFE may be obtained at www.csafe.org.

Authorized securities include U.S. treasury issues, U.S. agency issues, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA) held at fair value, money market funds and certain investment pools held at amortized cost, which approximates fair value. CSAFE is a local government investment pool, with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. There are no significant redemption periods for investments held with CSAFE. Designated custodial banks provide safekeeping and depository services to CSAFE in connection with direct investment and withdrawal functions. Substantially all securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The State Securities Commission administers and enforces all state statutes for governing CSAFE.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. As such, due to the short-term nature of the Department's investments, interest rate risk is minimized.

Credit Risk - Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to U.S. Treasury issues, other federally backed notes and credits and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State statutes limit investments in corporate bonds and foreign issues to a minimum credit rating of "AA- or Aa3" by two or more nationally recognized statistical rating organizations. All of the Department's investments were at or above this minimum requirement. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency.

Concentration Of Credit Risk - The Department's investment policy does not limit the amount the Department may invest in one issuer. The Department has investments in U.S. agency securities greater than 5% of its total portfolio as follows: Federal Home Loan Mortgage Corporation (10.08%) and Federal National Mortgage Association (8.20%).

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (Continued)

Fair Value - The Department categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using matrix pricing model. Level 3 inputs are significant unobservable inputs. The Department has the following fair value measurements as of December 31, 2020:

Investments By Fair Value Level	December 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
U.S. Treasury notes	\$ 2,815,652	\$ —	\$ 2,815,652	\$ —
U.S. agency securities	2,904,762	—	2,904,762	—
Certificates of deposit	5,283,923	—	5,283,923	—
Corporate bonds	662,169	—	662,169	—
Money market funds	297,216	297,216	—	—
Total Investments By Fair Value Level	11,963,722	\$ 297,216	\$ 11,666,506	\$ —
Investments Held At Amortized Cost				
Local government investment pool	3,084,685			
Total Investments	\$ 15,048,407			

4. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance - January 1, 2020	Additions	Retirements	Balance - December 31, 2020
Depreciable Capital Assets				
Office furniture and equipment	\$ 1,474,262	\$ 51,438	\$ —	\$ 1,525,700
Computer equipment	1,205,114	73,959	(42,297)	1,236,776
Computer software	164,718	—	—	164,718
Leasehold improvements	4,717,001	25,525	—	4,742,526
Total Depreciable Capital Assets	7,561,095	150,922	(42,297)	7,669,720
Accumulated depreciation	(5,919,767)	(762,172)	42,297	(6,639,642)
Total Capital Assets Being Depreciated, Net	1,641,328	(611,250)	—	1,030,078
Governmental Activities Capital Assets, Net	\$ 1,641,328	\$ (611,250)	\$ —	\$ 1,030,078

Depreciation expense for the year ended December 31, 2020 was \$762,172, all of which related to the Public Health and Welfare function.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (Continued)

5. Operating Leases

The Department leases various operating facilities under noncancellable leases with third parties which expire through 2026. Lease expense for the year ended December 31, 2020 totaled \$2,216,413.

Future minimum rental commitments under operating leases as of December 31, 2020 were as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2021	\$ 2,203,019
2022	2,217,416
2023	2,176,465
2024	2,051,584
2025	1,596,863
Thereafter	475,453
Total	\$ 10,720,800

6. Changes In Long-Term Obligations

	<u>Balance -</u> <u>January 1,</u> <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance -</u> <u>December 31,</u> <u>2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 1,642,766	\$ 962,464	\$ (118,038)	\$ 2,487,192	\$ 248,719

7. Defined Benefit Pension Plan (PERA)

Plan Description

Eligible employees of the Department are provided with pensions through the LGDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Benefits Provided

As of December 31, 2019, 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% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% 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.

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% and then multiplied by years of service credit
- An amount of \$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% of the 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

As of December 31, 2019, 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 C.R.S., once certain criteria are met. Pursuant to Senate Bill (SB) 18-200, the annual increase for 2019 is 0.00% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25% unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007 will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (the AIR) for the LGDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Contributions

Eligible employees and the 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. and § 24-51-413. Employee and employer contribution rates for the period of January 1, 2020 through December 31, 2020 are summarized in the tables below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020
Employee contribution (all employees except State Troopers)	8.00%	8.50%
Employee contribution (all employees except State Troopers)	10.00%	10.50%
Employer contribution rate ¹	10.00%	10.50%
Amount of employer contribution apportioned to the HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
Amount apportioned to LGDTF	8.98%	9.48%
Amortization equalization disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%	2.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50%	1.50%
Total employer contribution rate to LGDTF	12.68%	13.18%

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

Employer contributions are recognized by LGDTF in the period in which the compensation becomes payable to the member, and the Department is statutorily committed to pay the contributions to LGDTF. Employer contributions recognized by LGDTF from the Department were \$3,018,591 for the year ended December 31, 2020.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements *(Continued)*

Pension Liabilities, Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

At December 31, 2020, the Department reported a liability of \$23,273,634 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The Department's proportion of the net pension liability was based on Department contributions to LGDTF for the calendar year 2019 relative to the total contributions of participating employers to LGDTF.

At December 31, 2019, the Department's portion was 3.1821%, which was a decrease of 0.0945% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Department recognized a pension expense of \$1,058,723. At December 31, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 1,522,999	\$ —
Net difference between projected and actual earnings on pension plan investments	—	9,521,617
Changes in proportion and differences between contributions and proportionate share of contributions	175,928	544,684
Contributions subsequent to the measurement date	3,018,591	—
Total	\$ 4,717,518	\$ 10,066,301

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements *(Continued)*

The amount of \$3,018,591 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension benefit as follows:

For The Year Ended December 31,	
2021	\$ 1,873,763
2022	2,839,962
2023	404,853
2024	3,248,796
Total	\$ 8,367,374

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the AIR

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% factor applied to male rates and a 55% factor applied to female rates.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 board meeting.

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.

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 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.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

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

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	1.84%	0.60%
Emerging market debt	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%. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 for each year, including the additional 0.50%, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include 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 reflect 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 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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%. There was no change in the discount rate from the prior measurement date.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Sensitivity Of The Department's 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 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 42,751,939	\$ 23,273,634	\$ 6,892,568

Pension Plan Fiduciary Net Position

Detailed information about LGDTF's fiduciary net position is available in PERA's CAFR, which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes Between The Measurement Date Of The Net Pension Liability And December 31, 2020

The Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of December 31, 2020.

Defined Contribution Pension Plan

Plan Description

Employees of the Department who 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 C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available CAFR which includes additional information on the Voluntary Investment Program. The report can be obtained at www.copera.org/investments/pera-financial-reports.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*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 C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31 2020, program members contributed \$866,394.

8. Defined Benefit OPEB Plan

Plan Description

Eligible employees of the Department are provided with OPEB through the HCTF, a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of C.R.S., as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of C.R.S., as amended, 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 the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available CAFR that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the DPS Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (the DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Department is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Department were \$238,516 for the year ended December 31, 2020.

OPEB Liabilities, OPEB Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEB

At December 31, 2020, the Department reported a liability of \$2,736,948 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The Department's proportion of the net OPEB liability was based on the Department's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (Continued)

At December 31, 2019, the Department's proportion was 0.2435%, which was a decrease of 0.0106% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2020, the Department recognized OPEB expense of \$184,678. At December 31, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 9,086	\$ 459,909
Changes of assumptions	22,708	—
Net difference between projected and actual earnings on pension plan investments	—	45,685
Changes in proportion and differences between contributions and proportionate share of contributions	130,907	118,651
Contributions subsequent to the measurement date	238,516	—
Total	\$ 401,217	\$ 624,245

\$238,516 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB benefit as follows:

For The Year Ended December 31,	
2021	\$ 82,769
2022	82,769
2023	69,533
2024	107,715
2025	111,994
Thereafter	6,764
Total	\$ 461,544

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost-trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.60% for 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 2019, gradually rising to 4.5% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements *(Continued)*

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

<u>Medicare Plan</u>	<u>Cost For Members Without Medicare Part A</u>	<u>Premiums For Members Without Medicare Part A</u>
Self-Funded Medicare Supplement Plans	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

<u>Medicare Plan</u>	<u>Cost For Members Without Medicare Part A</u>
Self-Funded Medicare Supplement Plans	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

All costs are subject to the health care cost-trend rates, as discussed below.

Health care cost-trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design and technology improvements. For the PERA benefit structure, health care cost-trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

The PERA benefit structure health care cost-trend rates that were used to measure the total OPEB liability are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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% factor applied to male rates and a 55% factor applied to female rates.

Post-retirement nondisabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Post-retirement nondisabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% 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 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 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.

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

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	1.84%	0.60%
Emerging market debt	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%.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements *(Continued)*

Sensitivity Of The Department's Proportionate Share Of The Net OPEB Liability To Changes In The Health Care Cost-Trend Rates

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease In Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase In Trend Rates</u>
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	\$ 2,671,933	\$ 2,736,948	\$ 2,812,078

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. 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 health care cost trend rates for Medicare Part A premiums as of the December 31, 2019 measurement date.
- 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%.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

Sensitivity Of The Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 3,706,886	\$ 2,736,948	\$ 2,976,144

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

9. Deferred Compensation Plan

The Department has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. Participation in the plan is optional for all employees. The Department has not had new participants since the mid-1990s. The current participants (two) all started working for the Department prior to 1994. The plan is administered by Nationwide Retirement Solutions, formerly the Public Employees Benefit Services Corporation, and the Variable Annuity Life Insurance Company. The plan allows the employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergencies. Contribution limits are set by the Internal Revenue Service annually and are the same as those for the 401(k) plan.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

10. Risk Management

The Department is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Department has obtained commercial insurance coverage for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Under the Colorado Governmental Immunity Act, the maximum liability per person, per occurrence, is \$350,000, with a maximum liability per occurrence of \$990,000. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2020, the Department had no accrued liability under the terms of this self-insurance plan.

11. Contingencies

Grants

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

12. Tax Spending And Debt Limitation (TABOR)

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

The Department does not believe itself to be subject to the requirement of TABOR, as the Department has been established by Adams, Arapahoe and Douglas Counties, and it receives no direct tax dollars and has no power to tax any of the residents within its jurisdiction. TABOR is applied to the counties which have formed the Department, and the Department receives general allocation funding from these counties. TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of what organizations may be subject to TABOR, may require judicial interpretation.

TRI-COUNTY HEALTH DEPARTMENT

Notes To Basic Financial Statements (*Continued*)

13. Concentrations

The Department received approximately 25% of its revenue from Adams, Arapahoe and Douglas Counties and 62% from state and federal grants for the year ended December 31, 2020.

Required Supplementary Information

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL - GENERAL FUND For The Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
County funds	\$ 13,172,503	\$ 22,264,860	\$ 13,018,974	\$ (9,245,886)
Grants and contracts	979,747	1,197,238	1,010,568	(186,670)
Fees administration	1,813,678	1,813,678	1,800,560	(13,118)
Nutrition	59,600	59,600	58,515	(1,085)
Nursing	463,513	463,513	275,638	(187,875)
Environmental health	2,834,100	2,834,100	2,572,759	(261,341)
Epidemiology planning and communications	—	—	32	32
State funds	9,938,317	10,021,949	9,329,726	(692,223)
Federal funds	11,519,388	17,808,978	23,347,411	5,538,433
In-kind	1,564,162	1,564,162	1,154,627	(409,535)
Other	1,748,000	1,748,000	—	(1,748,000)
Total Revenues	44,093,008	59,776,078	52,568,810	(7,207,268)
Expenditures				
Salaries and wages	23,715,556	30,359,178	24,760,735	(5,598,443)
Employee benefits	7,123,818	7,242,615	7,312,685	70,070
Operating expenses	5,874,746	5,906,323	5,127,921	(778,402)
Operating supplies	1,127,266	1,647,881	863,969	(783,912)
Services	2,837,125	11,133,084	8,321,648	(2,811,436)
Equipment	1,850,335	1,922,835	397,243	(1,525,592)
In-kind	1,564,162	1,564,162	1,154,627	(409,535)
Total Expenditures	44,093,008	59,776,078	47,938,828	(11,837,250)
Change In Fund Balance	\$ —	\$ —	4,629,982	\$ 4,629,982
Fund Balance - Beginning Of Year			21,352,010	
Fund Balance - End Of Year			\$ 25,981,992	

Notes to Required Supplementary Information

The basis of the budget is the same as GAAP.

This schedule is presented on a GAAP basis.

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Employee Pension Plan Last Six Measurement Periods⁽¹⁾

Measurement Period Ending December 31,	2019	2018	2017	2016	2015	2014
Department's proportion of the net pension liability (asset)	3.1821%	3.2766%	3.1820%	3.0811%	3.1391%	3.1351%
Department's proportionate share of the net pension liability (asset)	\$ 23,273,634	\$ 41,194,245	\$ 35,429,512	\$ 41,604,699	\$ 34,579,339	\$ 28,099,957
Department's covered payroll	\$ 21,888,142	\$ 22,345,857	\$ 19,992,923	\$ 18,673,526	\$ 17,789,323	\$ 17,028,716
Department's proportionate share of the net pension liability (asset) as a percentage of its employee payroll	106.3%	184.3%	177.2%	222.8%	194.4%	165.0%
Plan fiduciary net position as a percentage of the total pension liability	86.26%	75.96%	79.37%	73.60%	76.90%	80.70%

⁽¹⁾ GASB Statement No. 68 was implemented during fiscal year 2015. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Department is presenting information for those years for which information is available.

TRI-COUNTY HEALTH DEPARTMENT

**SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS
TO THE PENSION PLAN
Employee Pension Plan
Last Six Fiscal Years⁽¹⁾**

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,018,591	\$ 2,775,417	\$ 2,833,590	\$ 2,535,103	\$ 2,367,802	\$ 2,255,684
Contributions in relation to the contractually required contribution	(3,018,591)	(2,775,417)	(2,833,590)	(2,535,103)	(2,367,802)	(2,255,684)
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Department's covered payroll	\$ 23,383,905	\$ 21,888,142	\$ 22,345,857	\$ 19,992,923	\$ 18,673,526	\$ 17,789,323
Contributions as a percentage of employee payroll	12.91%	12.68%	12.68%	12.68%	12.68%	12.68%

⁽¹⁾ GASB Statement No. 68 was implemented during fiscal year 2015. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Department is presenting information for those years for which information is available.

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY Employee OPEB Plan Last Three Measurement Periods⁽¹⁾

Measurement Period Ending December 31,	2019	2018	2017
Department's proportion of the net OPEB liability (asset)	0.2435%	0.2541%	0.2473%
Department's proportionate share of the net OPEB liability (asset)	\$ 2,736,948	\$ 3,457,181	\$ 3,213,355
Department's covered payroll	\$ 22,345,857	\$ 22,345,857	\$ 19,992,923
Department's proportionate share of the net OPEB liability (asset) as a percentage of its employee payroll	12.2%	15.5%	16.1%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%

⁽¹⁾ GASB Statement No. 75 was implemented during fiscal year 2018, This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Department is presenting information for those years for which information is available.

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS TO THE OPEB PLAN Employee OPEB Plan Last Three Fiscal Years⁽¹⁾

	2020	2019	2018
Contractually required contribution	\$ 238,516	\$ 223,259	\$ 227,928
Contributions in relation to the contractually required contribution	(238,516)	(223,259)	(227,928)
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —
Department's covered payroll	\$ 23,383,905	\$ 21,888,142	\$ 22,345,857
Contributions as a percentage of employee payroll	1.02%	1.02%	1.02%

⁽¹⁾ GASB Statement No. 75 was implemented during fiscal year 2018. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Department is presenting information for those years for which information is available.

Single Audit Section

**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
Tri-County Health Department
Greenwood Village, 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 the major fund of Tri-County Health Department (the Department), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 financial statements. 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.

RubinBrown LLP

June 3, 2021

**Independent Auditors' Report On Compliance
For Each Major Federal Program And Report
On Internal Control Over Compliance
Required By The Uniform Guidance**

Board of Health
Tri-County Health Department
Greenwood Village, Colorado

Report On Compliance For Each Major Federal Program

We have audited Tri-County Health Department's (the Department) compliance with the types of compliance requirements described in the Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended December 31, 2020. The Department's major federal programs are identified in the summary of auditors' 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 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* (the 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 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 Department's compliance.

Opinion On Each Major Federal Program

In our opinion, the 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, 2020.

Report On Internal Control Over Compliance

Management of the 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 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 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 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 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.

RubinBrown LLP

June 3, 2021

TRI-COUNTY HEALTH DEPARTMENT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2020**

Section I - Summary Of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes ✓ no

Significant deficiency(ies) identified? ___ yes ✓ none noted

Noncompliance material to financial statements noted?

___ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes ✓ no

Significant deficiency(ies) identified? ___ yes ✓ none noted

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)?

___ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name Of Federal Program Or Cluster
----------------	------------------------------------

21.019

Coronavirus Relief Fund

93.870

Maternal, Infant, And Early Childhood Home Visiting Program

93.354

Public Health Crisis Response

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,084,394

Auditee qualified as low-risk auditee?

✓ yes ___ no

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
For The Year Ended December 31, 2020

Section II - Financial Statement Findings

There are no findings relating to the Department's financial statements that are required to be reported.

Section III - Federal Award Findings And Questioned Costs

There are no findings relating to the Department's federal awards that are required to be reported.

TRI-COUNTY HEALTH DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures To Subrecipients
Department Of Agriculture				
Passed through the Colorado Department of Public Health and Environment				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		\$ 5,549,862	\$ —
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	AL20L	192,513	—
Special Supplemental Nutrition Program for Women, Infants and Children - In-Kind	10.557		13,206,973	—
Total Department Of Agriculture			18,949,348	—
Department of the Treasury				
Passed through the Colorado Department of Public Health and Environment				
Coronavirus Relief Fund	21.019		2,137,261	—
Passed through Adams County, Colorado				
Coronavirus Relief Fund	21.019		3,019,171	—
Passed through Arapahoe County, Colorado				
Coronavirus Relief Fund	21.019		3,946,893	—
Passed through Douglas County, Colorado				
Coronavirus Relief Fund	21.019		1,835,756	—
Total Department of Treasury			10,939,081	—
Department Of Health And Human Services				
Substance Abuse and Mental Health Services	93.243		118,812	100,212
Passed through the Colorado Department of Public Health and Environment				
Public Health Emergency Preparedness	93.069	HX20, HW20CJ	1,254,177	—
Environmental Public Health and Emergency Response	93.070	H20EPHTCON	24,724	—
Injury Prevention and Control Research and State and Community-Based Programs	93.136		99,807	—
Childhood Lead Poisoning Prevention Projects	93.197		550	—
Family Planning Services	93.217	L21FPP	432,107	—
Immunization Cooperative Agreements	93.268	KA201H, JC20CH, H21IMCOTHR, H21IMMCONT	553,000	—
Emerging Infection Programs	93.317	H20EIPCONT	96,286	—
Epidemiology and Lab Capacity for Infectious Diseases	93.323		253,859	108,308
Public Health Crisis Response	93.354		1,296,851	—
State Targeted Response to the Opioid Crisis	93.788		216,279	—
HIV Care Formula Grants	93.917	QT19CH, QT20CH	45,940	—
HIV Prevention Activities	93.940	H20HIVCONT	55,561	—
Preventive Health Services - In Kind	93.977		53,120	—
Preventative Health and Health Services Block Grant	93.991		50,000	—
Maternal and Child Health Services	93.994	NA20AL, NB20BL, NC20CL, NC20JL	923,188	—
Passed through the Colorado Department of Human Services				
Maternal, Infant And Early Childhood Home Visiting Program Cluster	93.870		753,872	—
Passed through the Agency for Healthcare Research and Quality				
Research on Healthcare Costs, Quality and Outcomes	93.226		29,899	—
Total Department Of Health And Human Services			6,258,032	208,520
Total Expenditures Of Federal Awards			\$ 36,146,461	\$ 208,520

TRI-COUNTY HEALTH DEPARTMENT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2020

1. Basis Of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tri-County Health Department (the Department) for the year ended December 31, 2020 and is presented on the modified accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. In-Kind

Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA No. 10.557, includes \$13,206,973 of food vouchers provided to individuals in the Department's service area, and Preventative Health Services, CFDA No. 93.977, included \$53,120 of noncash supplies to the Department, as reported by the Colorado Department of Public Health and Environment.

3. Indirect Costs

The Department has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.