

BOULDER COUNTY PUBLIC HEALTH
Boulder County, Colorado

FINANCIAL STATEMENTS
December 31, 2015

	PAGE
INDEPENDENT AUDITORS' REPORT	I
MANAGEMENT'S DISCUSSION AND ANALYSIS	IV
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental Activities	2
Balance Sheet – Governmental Fund - General Fund.....	3
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position.....	4
Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund - General Fund.....	5
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities.....	6
Notes to Financial Statements	7
REQUIRED SUPPLEMENTARY INFORMATION	22
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	23
Schedule of Proportionate Share of Net Pension Liability.....	24
Schedule of Contributions and Related Ratios	25
Notes to Required Supplementary Information	26
SUPPLEMENTARY INFORMATION	27
Schedule of Revenues and Expenditures by Function – General Fund	28
Schedule of Revenues – Addiction Recovery Division.....	29
Schedule of Expenditures – Addiction Recovery Division.....	30
GOVERNMENTAL AUDITING STANDARDS REPORT	31
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32
Schedule of Audit Findings	34
Summary Schedule of Prior Year Audit Findings	35

INDEPENDENT AUDITORS' REPORT

Board of Health
Boulder County Public Health
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Boulder County Public Health, a component unit of Boulder County, Colorado, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the entity'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 major fund of Boulder County Public Health as of December 31, 2015, 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.

Emphasis of a Matter

During fiscal year ended December 31, 2015, Public Health adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, Public Health reported a restatement for the change in accounting principle (see Note 1.) Our auditors' opinions were not modified with respect to the restatement.

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 IV-VIII, the schedule of proportionate share of the net pension liability on page 24, the schedule of contributions and related ratios on page 25, and budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boulder County Public Health's basic financial statements. The Schedule of Revenues and Expenditures by Function – General Fund, Schedule of Revenues – Addiction Recovery Division, and Schedule of Expenditures – Addiction Recovery Division are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other information referred to above 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 other information referred to above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Health
Boulder County Public Health

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016, on our consideration of Boulder County Public Health'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 result 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 Boulder County Public Health's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Broomfield, Colorado
June 20, 2016

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Management's Discussion and Analysis

Year Ended December 31, 2015

As management of Boulder County Public Health (BCPH), we offer readers of BCPH's financial statements this narrative overview and analysis of the financial activities of BCPH for the fiscal year ended December 31, 2015.

Financial Highlights

In 2015, BCPH implemented Government Accounting Standards Board (GASB) Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. GASB 68 and 67 require state and local government employers to recognize a net pension liability for defined benefit plans where the entity is a participant. These changes require BCPH to report its allocated proportionate share of the Colorado Public Employer's Retirement Association (PERA)'s net pension liability and pension expense. As a result, the net position of BCPH, the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, for 2015 is \$(10,664,370). Of this amount, \$(10,921,667) (unrestricted net position) represents what is (or is not) available to meet the government's ongoing obligations to citizens and creditors at December 31, 2015.

As of the close of 2015, BCPH's governmental fund reports an ending balance of \$2,825,871 a decrease of \$(28,039) from the balance at year-end 2014. Approximately 91% of the total amount, \$2,571,391, is available for spending at the government's discretion (unrestricted fund balance).

Overview of the Financial Statements

This discussion and analysis is an introduction to BCPH's basic financial statements including three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The financial statements also contain other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Changes in Net Position) reflect the financial activities of BCPH.

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

The Statement of Changes in Net Position presents information showing how BCPH's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Management's Discussion and Analysis

Year Ended December 31, 2015

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities of BCPH include general administration, other administrative programs, and addiction recovery, family health, community health, environmental health, and communicable disease control programs. BCPH has no business-type activities.

Governmental Fund Financial Statements

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

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance) focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating BCPH's near-term financing requirements.

The focus of governmental fund financial statements is narrower than that of the government-wide financial statements. Comparing the information presented for governmental funds with similar information presented for government-wide activities may assist readers to understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning BCPH's budgetary comparison schedules for the general fund, which demonstrates compliance with the annual appropriated budget.

Boulder County Public Health
 (A Component Unit of Boulder County, Colorado)

Management's Discussion and Analysis
 Year Ended December 31, 2015

Government-Wide Financial Analysis

Increases or decreases in net position may serve over time as useful indicators of a government's financial position. In the case of BCPH, the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources is \$(10,664,370) at the close of year 2015.

An additional portion of BCPH's net position, -2.39% and -2.14% for 2015 and 2014 respectively, represents resources that are subject to external restrictions on how they may be used. The largest balance of net position is unrestricted, \$(10,921,668) and \$2,091,190 for 2015 and 2014 respectively, representing resources available (or not available) to meet the government's ongoing obligations. The negative balances are the result of the implementation GASB 68 and GASB 71.

Note, as a result of GASB 68 and GASB 71 required changes in government-wide financial reporting, 2015 and 2014 government-wide financial results are not comparative.

Boulder County Public Health's Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 3,426,929	\$ 3,970,938
Capital assets	2,817	85,703
Total assets	\$3,429,746	4,056,641
Deferred Outflows of resources	1,939,187	-
Long-term liabilities outstanding	15,318,706	575,610
Other liabilities	711,389	1,093,470
Total liabilities	16,031,095	1,669,080
Deferred Inflows of resources	3,008	-
Net position		
Invested in capital assets	2,817	85,703
Restricted for emergencies	46,998	58,790
Restricted for mosquito control	174,633	151,878
Restricted for grant funding	32,849	-
Unrestricted	<u>(10,921,667)</u>	<u>2,091,190</u>
Total net position	<u>\$ (10,664,371)</u>	<u>\$ 2,387,561</u>

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Management's Discussion and Analysis

Year Ended December 31, 2015

Governmental Activities

Governmental activities for BCPH decreased net position by \$(809,073) and \$(632,317) for 2015 and 2014 respectively. Key elements of the 2015 decrease are lower intergovernmental revenues from local, state and fee funding sources. The decrease in revenues and expenses were primarily related to the transfer of the Addiction Recovery Center. In 2014 the revenues for this function were \$3,300,581 and expenses \$3,388,349.

Boulder County Public Health Governmental Activities

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,194,123	\$ 1,632,424
Operating grants and contributions	4,706,439	5,977,258
General revenues:		
Contribution from Boulder County (Pertiary government)	7,056,384	8,039,104
Investment earnings	<u>10,193</u>	<u>6,010</u>
Total revenues	<u>12,967,139</u>	<u>15,654,796</u>
Expenses:		
General administration	\$ 2,436,241	\$ 2,466,680
Other administrative programs	1,254,597	1,424,429
Addiction recovery programs	82,473	3,388,349
Family health programs	2,326,044	2,122,572
Community health programs	2,106,168	2,157,404
Environmental health programs	4,374,275	3,629,124
Communicable disease programs	<u>1,194,427</u>	<u>1,098,555</u>
Total expenses	<u>\$ 13,774,225</u>	<u>\$ 16,287,113</u>
Net loss on transfer of Addiction Recovery Center	(1,987)	-
Decrease in net position	<u>(809,073)</u>	<u>(632,317)</u>
Net position, beginning of year	<u>(9,855,297)</u>	<u>3,019,878</u>
Net position, end of year	<u>\$ (10,664,370)</u>	<u>\$ 2,387,561</u>

Financial Analysis of BCPH's Fund

As noted earlier, BCPH uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Boulder County Public Health
(A Component Unit of Boulder County, Colorado)

Management's Discussion and Analysis
Year Ended December 31, 2015

Governmental Fund

The focus of BCPH's governmental fund is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing BCPH's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of BCPH's net resources available for spending at the end of the fiscal year.

The General Fund is the only governmental fund of Boulder County Public Health. As of December 31, 2015 and 2014, BCPH's General Fund reported an ending balance of \$2,825,871 and \$2,853,910 respectively, a decrease of \$(28,039) for 2015 from 2014. Approximately 84% of the total amount for 2015, \$2,371,391, constitutes unrestricted and uncommitted fund balance, which is available for spending at BCPH's discretion. The remainder of fund balance is not available for new spending because it has already been committed and restricted for emergencies and mosquito control.

General Fund Budgetary Highlights

Differences between the 2015 budget, approved by the Board of Health and actual expenditures totaled \$933,659, explanations for the majority of which are summarized as follows:

\$280,138 actual less than budget for salaries and benefits primarily attributable to lower than anticipated spending as well as vacant positions (all divisions).

\$653,521 actual less than budget for all other expenses primarily attributable to lower than anticipated spending for operating expenses, professional, property and other services combined (administration, addiction recovery, family health, community health and environmental health).

Capital Assets

Boulder County Public Health's investment in capital assets for its governmental activities equal \$2,817 as of December 31, 2015 (net of accumulated depreciation). Investment in capital assets includes building improvements, internally developed computer software and other equipment.

Capital Assets (net of depreciation)

	Governmental Activities 2015
Equipment	\$ 2,817

Requests for Information

This financial report provides a general overview of BCPH's finances. Address questions or requests for additional information to Boulder County Public Health, Director of Administrative Services, 3450 Broadway, Boulder, CO, 80304.

BASIC FINANCIAL STATEMENTS

Basic Financial Statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Government-Wide Financial Statement - Statement of Net Position

December 31, 2015

	<u>2015</u>
ASSETS	
Cash and investments	\$ 2,040,734
Restricted cash and investments	408,573
Accounts receivable, net of allowance of \$0 and 41,156 for 2015 and 2014 respectively	9,792
Due from other governments	901,756
Due from Boulder County	62,275
Other assets	3,799
	<u>3,426,929</u>
Capital assets, net of accumulated depreciation of \$101,810	2,817
Total assets	<u>3,429,746</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	980,180
Pension investment earnings less than expected	812,353
Pension proportionate share increase	147,454
Total deferred outflows of resources	<u>1,939,987</u>
LIABILITIES	
Accounts payable	175,936
Due to Boulder County	12,198
Accrued salaries and benefits	178,985
Escrows payable	233,939
Unearned revenue	-
Compensated absences:	
Due within one year	110,331
Due in more than one year	425,569
Net Pension Liability	14,894,137
Total liabilities	<u>16,031,095</u>
DEFERRED INFLOWS OF RESOURCES	
Pension experience gain	3,008
Total deferred inflows of resources	<u>3,008</u>
NET POSITION	
Net investment in capital assets	2,817
Restricted	
Restricted for emergencies (TABOR)	46,998
Restricted for mosquito control	174,633
Restricted for program funding	32,849
Unrestricted	(10,921,667)
Total net position	<u>\$ (10,664,370)</u>

The accompanying notes are an integral part of the financial statements

Basic Financial Statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Government-Wide Financial Statement - Statement of Activities

Year Ended December 31, 2015

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (expense) revenue and changes in net position	
Governmental activities:				
General administration	\$ 2,436,241	\$ 142,274	\$ 558,559	\$ (1,735,408)
Other administrative programs	1,254,597	192,874	208,515	(853,208)
Addiction recovery	82,473	4,531	17,787	(60,155)
Family health	2,326,044	40,957	1,516,688	(768,399)
Community health	2,106,168	167,764	892,554	(1,045,850)
Environmental health	4,374,275	622,604	921,270	(2,830,401)
Communicable disease	1,194,427	23,119	591,066	(580,242)
	\$ 13,774,225	\$ 1,194,123	\$ 4,706,439	(7,873,663)
General revenues:				
Contribution from Boulder County				7,056,384
Investment earnings				10,193
Total general revenues				7,066,577
Special item:				
Net loss on transfer of the Addiction Recovery Center				(1,987)
				(809,073)
Change in net position				(809,073)
Net position - Beginning of year (as restated)				(9,855,297)
Net position - End of year				\$ (10,664,370)

The accompanying notes are an integral part of the financial statements

Basic Financial Statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Governmental Fund - General Fund Financial Statement - Balance Sheet

December 31, 2015

	2015
ASSETS	
Cash and investments	\$ 2,040,734
Restricted cash and investments	408,573
Accounts receivable, net of allowance of \$0	9,792
Due from other governments	901,756
Due from Boulder County	62,275
Other assets	3,798
Total assets	<u>\$ 3,426,928</u>
LIABILITIES	
Accounts payable	\$ 175,935
Due to Boulder County	12,198
Accrued salaries and benefits	178,985
Escrows payable	233,939
Total liabilities	<u>601,057</u>
FUND BALANCE	
Restricted:	
Restricted for emergencies	46,998
Restricted for mosquito control	174,633
Restricted for program funding	32,849
Total restricted fund balance	<u>254,480</u>
Unrestricted:	
Committed emergency preparedness contingency	200,000
Assigned	832,678
Unassigned	1,538,713
Total unrestricted fund balance	<u>2,571,391</u>
Total fund balance	<u>2,825,871</u>
Total liabilities and fund balance	<u>\$ 3,426,928</u>

The accompanying notes are an integral part of the financial statements

Basic Financial Statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2015

	2015
Governmental fund balance	\$ 2,825,871
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 fund	2,817
Long-term liabilities including compensated absences and net pension liability are not due and payable in the current period and, therefore, are not reported in the fund:	
Compensated absences	(535,900)
Net pension liability	(14,894,137)
Deferred outflows relative to the net pension liability are not recognized in the current period and, therefore, are classified as deferred outflows of resources in the Statement of Net Position:	
Pension contributions subsequent to measurement date	980,180
Pension investment earnings less than expected	812,353
Pension proportionate share increase	147,454
Deferred inflows relative to the net pension liability are not available to pay current expenditures and, therefore, are not reported in the fund:	
Pension experience gain	(3,008)
Net position of governmental activities	<u>\$ (10,664,370)</u>

The accompanying notes are an integral part of the financial statements

Basic Financial Statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Governmental Fund - General Fund Financial Statement - Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2015

	2015
OPERATING REVENUES	
Intergovernmental	\$ 11,436,161
Charges for services	1,194,124
Contributions	5,544
Interest and miscellaneous	331,311
Total revenues	<u>12,967,140</u>
OPERATING EXPENDITURES	
General administration	2,243,171
Other administrative programs	1,189,537
Addiction recovery	78,196
Family health	2,205,420
Community health	1,996,946
Environmental health	4,147,435
Communicable disease	1,132,487
Total expenditures	<u>12,993,192</u>
Operating Income (Loss)	<u>(26,052)</u>
Special item	(1,987)
FUND BALANCE - BEGINNING OF YEAR	<u>2,853,910</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,825,871</u>

The accompanying notes are an integral part of the financial statements

Basic Financial Statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Year Ended December 31, 2015 and 2014

	2015
Change in fund balance - Governmental Fund	\$ (28,039)
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental fund reports capital outlays as expenditures. However, in the statement of changes in net position, the cost of those assets is allocated over their useful lives and reported as depreciation expense.	
Depreciation expense	(3,123)
Net book value of disposed assets	(79,764)
Some expenses reported in the statements of changes in net position do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund:	
Compensated absences	16,152
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 the governmental fund:	
Employer Pension Expense	980,180
Pension Expense	(1,694,479)
Change in net position of governmental activities	<u>\$ (809,073)</u>

The accompanying notes are an integral part of the financial statements

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Boulder County Public Health (BCPH) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. A summary of BCPH's significant accounting policies applied in the preparation of these basic financial statements follows:

Reporting Entity

BCPH was organized by authority of Colorado state statute on March 25, 1952. BCPH was established to provide public health services in Boulder County (the County) in the following areas: environment, family, community, communicable disease control, addiction recovery and other administrative programs. In 1973, BCPH was further segregated as a component unit of the County by resolution of the Boulder County Board of County Commissioners. The County Commissioners appoint the Board of Health's five members.

BCPH is included in the County's reporting entity because of the significance of its operational and financial relationship with the County in accordance with Government Accounting Standards Board (GASB). Financial accountability includes, but is not limited to, selection of governing authority, imposition of will, financial interdependency and accountability for fiscal matters. BCPH is included as a discretely presented component unit in the County's basic financial statements because it is a legally separate entity, the Commissioners appoint the governing board, the County appropriates significant funds to BCPH's operations, and BCPH serves the residents of the County. BCPH does not have financial accountability over any other district, municipality or county.

Based on the above criteria, the accompanying basic financial statements include only the operations of BCPH.

Measurement Focus, Basis of Accounting and Basis of Presentation

BCPH's basic financial statements consist of the government-wide financial statements and the fund financial statements. The government-wide financial statements include a statement of net position and a statement of activities, which present all the financial activities of BCPH. The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Governmental activities are normally supported by taxes and intergovernmental revenues. The government-wide statements of activities reflect both the direct expenses and net cost of each function of BCPH's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of BCPH, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of BCPH.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund is used to account for BCPH's general governmental activities. Governmental fund financial statements use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. BCPH considers all revenue available if it is collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources (i.e., matured).

Grant revenue is the primary revenue source subject to accrual. BCPH reports a deferred inflow of resources when potential revenue does not meet both the measurable and available criteria for recognition in the current period and eligibility requirements have not been met at the fund level, or when unearned revenue is not considered earned and eligibility requirements have not been met at the government-wide level. Unearned revenues also arise when BCPH receives resources before it has legal claim to them, such as when grant funds are received prior to incurring qualified expenditures and eligibility requirements have not been met. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue and deferred inflows of resources is removed and revenue is recognized.

A reconciliation of the fund financial statements to the government-wide financial statements is provided in the basic financial statements to explain the differences between them.

The General Fund is BCPH's only governmental fund. It is the general operating fund of BCPH and is used to account for all financial activities.

Cash and Investments

Cash and investments are cash on hand, and demand deposits, and are stated at fair value.

Restricted Cash and Investments

Restricted cash is comprised of amounts received from donations from other organizations or individuals to be used for specific purposes.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. BCPH does not accrue finance or interest charges. On a periodic basis, BCPH evaluates its accounts receivable and determines the need for an allowance for losses based on historical experience. A receivable is written off when it is determined that all reasonable collection efforts have been exhausted and the potential for recovery is considered remote. At December 31, 2015, BCPH had an allowance for doubtful accounts of \$0.

Boulder County Public Health
(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements
Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Other Governments

Due from other governments includes amounts due primarily from federal and state grantors for specific grant programs.

Capital Assets

Capital assets, which include equipment and improvements, are reported in the government-wide financial statements. BCPH defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment, \$50,000 or more for improvements, and a useful life of more than one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related capital asset, as applicable.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Depreciation expense is reflected as an operating expense in the government-wide statements of activities.

Estimated useful lives for asset types are as follows:

Equipment	6-10 years
Software	6 years

Compensated Absences

BCPH follows County policy for compensated absences. The County allows employees to accumulate unused vacation and medical leave benefits up to a certain maximum number of hours. Upon termination, all unused vacation leave benefits are paid to the employee. Medical leave benefits may be paid to the employee depending on hire date or length of service. Employees hired as full time employees prior to June 1, 1987, except Social Service Department employees, who have worked for the County for 20 years or who are eligible for retirement at age 62, are paid all unused medical leave benefits. Employees hired as full time employees prior to June 1, 1987, except Social Service Department employees, who have not worked for the County for 20 years nor are they eligible for retirement at age 62, are paid 50% of their unused medical leave. All other employees not listed in the above two categories are not paid for unused medical leave.

Escrows Payable

Escrows payable represent amounts held in a fiduciary capacity for which a third party controls and approves related restricted expenditures. Cash held is restricted until such time it is approved for usage by the third party.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations for Compensated Absences

Long-term obligations for compensated absences are reported as liabilities in the statements of net position and are not recorded at the fund level unless they have matured.

Fund Balance

As of December 31, 2015, fund balances of governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact. As of December 31, 2015, BCPH does not have any non-spendable fund balance.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. For the year ended December 31, 2015, \$254,480 is classified as restricted.

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Health (the Board). The Board is the highest level of decision-making authority for BCPH.

Commitments may be established, modified or rescinded only through resolutions approved by the Board. As of December 31, 2015 and 2014, \$200,000 is classified as committed.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by BCPH, but are not considered restricted or committed. The purpose of the assignment must be narrower than the purpose of the General Fund. As of December 31, 2015 and 2014, \$832,678 and \$685,203 respectively, are assigned to various programs as follows:

	<u>2015</u>
Administration	\$ 357,760
Addiction recovery	-
Family health	142,999
Community health	305,291
Environmental health	-
Communicable disease	26,628

Unassigned – represents the residual classification for BCPH's General Fund and could report a surplus or deficit. As of December 31, 2015, BCPH has \$1,538,713 of fund balance in the General Fund for unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered expended. For expenditures in which any unrestricted fund balance classification could be used, committed fund balance is considered first expended, then assigned, then unassigned.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2 – NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA)

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

General Information about PERA - Eligible BCPH employees are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

Please note, it is possible for employees participating in the LGDTF to have earned service credit under the DPS benefit structure while working for another employer.

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

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

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2 – NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA) (CONTINUED)

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

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

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

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

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2 – NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA) (CONTINUED)

Contributions - Eligible BCPH employees are required to contribute to the plan at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the BCPH is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from BCPH were \$1,161,210 for the year ended December 31, 2015.

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

At December 31, 2015, BCPH reported a liability of \$14,894,137 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The BCPH proportion of the net pension liability was based on contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the BCPH proportion was 1.67%, which was an increase of 0.04% from its proportion measured as of December 31, 2013.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

**NOTE 2 – NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA)
(CONTINUED)**

For the year ended December 31, 2015, BCPH recognized pension expense of \$714,299. At December 31, 2015, BCPH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,008
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	812,353	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	147,454	-
Contributions subsequent to the measurement date	980,180	-
Total	\$ 1,939,987	\$ 3,008

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2 - NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA) (CONTINUED)

\$980,180 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	
2016	\$ 316,826
2017	233,797
2018	203,088
2019	203,088
2020	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

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

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2 - NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA) (CONTINUED)

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment 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 analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 2 - NET PENSION LIABILITY FOR DEFINED BENEFIT PENSION PLAN (PERA)
(CONTINUED)

Sensitivity of the BCPH 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 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	24,323,761	14,894,137	7,032,594

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

Defined Contribution Pension Plans

Voluntary Investment Program

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

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS

Cash, deposits and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

	<u>2015</u>
Governmental activities	
Unrestricted cash and investments	\$ 2,040,734
Restricted cash and investments	<u>408,573</u>
Total governmental activities	<u>\$ 2,449,307</u>
Cash deposits	\$ 2,449,307
Investments	<u>-</u>
Total cash and investments	<u>\$ 2,449,307</u>

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

As of December 31, 2015, the carrying amounts of deposits for BCPH were \$2,449,307.

Custodial Credit Risk

BCPH deposits are subject to and in accordance with the State of Colorado's Public Deposit Protection Act. Under the Act, all uninsured deposits are to be fully collateralized. The eligible collateral pledged must be held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner as the banking commissioner shall prescribe by rule and regulation, or may be segregated from the other assets of the eligible public depository and held in its own trust department.

All collateral so held must be clearly identified as being security maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The depository has the right at any time to make substitutions of eligible collateral maintained or pledged and is at all times entitled to collect and retain all income derived from those investments without restrictions.

NOTE 4 - CHANGES IN CAPITAL ASSETS

	Beginning Balance January 1, 2015		Increases	Decreases	Transfers	Ending Balance December 31, 2015	
Capital assets:							
Equipment	\$ 327,938	\$ -	\$ (223,312)	\$ -	\$ -	\$ 104,626	
Total capital assets	<u>327,938</u>	<u>-</u>	<u>(223,312)</u>	<u>-</u>	<u>-</u>	<u>104,626</u>	
Less accumulated depreciation for:							
Equipment	(242,235)	(3,123)	143,549	-	-	(101,809)	
Total accumulated depreciation	<u>(242,235)</u>	<u>(3,123)</u>	<u>143,549</u>	<u>-</u>	<u>-</u>	<u>(101,809)</u>	
Capital assets, net	<u>\$ 85,703</u>	<u>\$ (3,123)</u>	<u>\$ (79,763)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,817</u>	
Depreciation expense was charged to functions as follows:							
Administration		<u>\$ (3,123)</u>					

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 5 - LONG-TERM OBLIGATIONS

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31 2015</u>	<u>Due in One Year</u>
Compensated absences	\$ 654,055	\$ 773,568	\$ 891,723	\$ 535,900	\$ 110,331

NOTE 6 - NET POSITION AND FUND BALANCE - RESTRICTED FOR EMERGENCIES

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution limiting the ability of the State and local governments such as BCPH to increase revenues, debt and spending and restricting property, income and other taxes. In addition, the amendment requires that the State and local governments obtain voter approval to create any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. The amendment also requires the establishment of an Emergency Reserve equal to 3% of fiscal year spending excluding debt service. BCPH has established an emergency reserve of \$46,998 for 2015 in the General Fund to meet the reserve requirement.

In 2005, the County voters approved an ongoing exemption to all revenues and expenditures as had previously been applied to the TABOR Revenue Limit, the TABOR Property Tax Limit and the TABOR Expenditures Limit. The ballot issue requires the County to limit property tax levies for the 2006 fiscal year and beyond, to a maximum of an additional 0.6 mills up to the County’s mill levy limit of 23.745 mills. Any additional property tax revenues that are levied, compared with the actual collections from the prior year, are to be allocated as follows for a period of five years commencing with the 2005 year:

- 20% to be utilized in funding health and human services, of which 1/3 will be directed to nonprofit agencies serving this purpose;
- 30% to be utilized in funding public safety programs;
- 6-2/3% to be utilized in sustainability (including renewable energy and energy efficiency) programs.

There are numerous uncertainties about the interpretation of the amendment and its application to particular governmental entities and their operations. It is possible that the constitutionality of the amendment as applied in some situations may be challenged on various grounds, including the argument that the amendment conflicts with other constitutional provisions and violates the protections afforded by the federal constitution against impairment of contract.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

Under the terms of federal and state grants, periodic audits may be required, and certain costs may be questioned as not being appropriate expenditures. Such audits could lead to reimbursements to the grantor agencies. BCPH management believes disallowances, if any, will be immaterial to its financial position and operations.

Risk Management

BCPH, as a component unit of the County, is self-insured for risks associated with workers' compensation and property/casualty claims and, therefore, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The total liability for BCPH is included in the amount recorded in the County's Risk Management Internal Service Fund.

The County assumes risk for the first \$400,000 for each worker's compensation occurrence, the first \$100,000 for each property occurrence, and the first \$250,000 for each liability occurrence except for employment liability claims, which have a \$500,000 retention.

The County also maintains a self-funded health and dental plan, in which the County assumes risk for the first \$325,000 for each medical claim. Third-party insurance is purchased to protect the county above these amounts. Additionally, the County carries a crime policy with a \$25,000 deductible, and an equipment breakdown policy with a \$10,000 deductible.

The County has implemented GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and established a risk management fund (an internal service fund) to account for and finance all uninsured risks of loss. With the implementation of GASB No. 10, liabilities of the risk management fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claims settlement trends including frequency and amount of payouts, and other economic and social factors.

There has been no significant reduction in insurance coverage from the prior year. There have been no settlements exceeding insurance coverage during the last three years.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Financial Statements

Year Ended December 31, 2015

NOTE 8 – TRANSFER OF THE ADDICTION RECOVERY CENTER TO MENTAL HEALTH PARTNERS

Effective December 30, 2013, BCPH, with the consent of the County Commissioners, entered into a memorandum of understanding with Mental Health Partners (MHP) to begin the transition of the Addiction Recovery Center (ARC) to MHP. A full transition was completed on January 5, 2015.

BCPH, Boulder County Human Resources (BCHHS) and MHP collaborated to transition all ARC employees to MHP in as smooth a manner as possible. BCPH gave all ARC employees a full 3 months prior notice of termination of employment and coordinated with MHP so all ARC employees received offers of employment from MHP. BCPH terminated employment with all ARC staff effective January 5, 2015. MHP offered employment to all ARC staff with a start date January 6, 2015. Although the ARC employees were transitioning from a government framework to a non-profit framework, with corresponding changes to benefit packages, the compensation level was the same or higher for all the transferring employees and the benefit packages were equivalent, including the honoring of BCPH vacation accruals. All BCPH ARC employees who stayed through January 5, 2016 were given a bonus in July 2015 and again in January 2015 as rewards for staying with BCPH through the transition. This disposal of the Addiction Recovery Center was recorded as a special item and BCPH recognized a net loss of \$1,987 as a result of this transaction.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Governmental Fund - General Fund Financial Statements - Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual vs. Final Budget Positive (Negative)
REVENUE				
Intergovernmental	\$ 12,544,093	\$ 12,763,771	\$ 11,572,425	\$ (1,191,346)
Charges for services	1,238,288	1,221,289	1,183,529	(37,760)
Contributions	3,500	3,500	5,544	2,044
Interest and miscellaneous	325,230	131,708	397,072	265,364
Total revenue	14,111,111	14,120,268	13,158,570	(961,698)
EXPENDITURES				
General administration	2,450,410	2,450,108	2,243,171	206,937
Other administrative programs	1,499,119	1,444,382	1,382,954	61,428
Addiction recovery	94,228	94,227	78,196	16,031
Family health	2,249,531	2,253,802	2,205,420	48,382
Community health	2,095,586	2,102,420	1,996,946	105,474
Environmental health	4,594,947	4,634,614	4,147,435	487,179
Communicable disease	1,127,290	1,140,715	1,132,487	8,228
Total expenditures	14,111,111	14,120,268	13,186,609	933,659
Excess of revenue over (under) expenditures	\$ -	\$ -	(28,039)	\$ (28,039)
FUND BALANCE - BEGINNING OF YEAR			2,853,910	
FUND BALANCE - END OF YEAR			\$ 2,825,871	

Required Supplementary Information

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Schedule of Boulder County Public Health's Proportionate Share of the Net Pension Liability

Year Ended December 31, 2015

	<u>2014</u>	<u>2013</u>
Boulder County Public Health's proportion (percentage of the collective net pension liability (1)*)	1.66171902624616%	1.62884014227037%
Boulder County Public Health's proportionate share of the collective net pension liability (1)	14,894,137	13,404,068
Covered-employee payroll (2)	9,231,629	8,770,465
Boulder County Public Health's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.34%	152.83%
Plan fiduciary net pension as a percentage of the total pension liability (see PERA Local Govt Plan note 2)	80.72%	77.66%

(The amounts presented for each fiscal year were determined as of December 31)

1) from the 2013 and 2014 GASB 68 reporting file allocation table

2) from RSI - Schedule of Contributions and Related Ratios

* The percentage reported is Boulder County Public Health's percentage of Boulder County's proportionate share

Required Supplementary Information

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Schedule of Contributions and Related Ratios - Last 10 Fiscal Years

Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 1,066,446	\$ 1,264,733	\$ 1,201,554	\$ 1,214,203	\$ 1,196,024	\$ 1,191,511	\$ 1,098,461	\$ 976,588	\$ 866,159	\$ 775,994
Contributions in relation to the statutorily required contribution	<u>\$ 1,066,446</u>	<u>\$ 1,264,733</u>	<u>\$ 1,201,554</u>	<u>\$ 1,214,203</u>	<u>\$ 1,196,024</u>	<u>\$ 1,191,511</u>	<u>\$ 1,098,461</u>	<u>\$ 976,588</u>	<u>\$ 866,159</u>	<u>\$ 775,994</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered-employee payroll	7,784,274	9,231,629	8,770,465	8,862,796	8,730,100	8,697,160.42	8,581,725	8,206,615	7,874,166	7,390,684
Contribution as a percentage of covered-employee payroll	13.70%	13.70%	13.70%	13.70%	13.70%	13.70%	12.80%	11.90%	11.00%	10.50%

The amounts presented for each fiscal year were determined as of December 31.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Notes to Required Supplementary Information

Year Ended December 31, 2015

Budget

Budgeted amounts included in the accompanying schedule are based on the budget adopted by the Board of Health and are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The original 2015 budget was adopted in July 2014 and the final 2015 budget was adopted in December 2015. The original 2014 budget was adopted in July 2013 and the final 2014 budget was adopted in December 2014. The Board of Health, a component unit of the County, budgets on a calendar year, in conformity with GAAP basis for all funds. Actual amounts included in the accompanying schedule include revenues and expenditures related to the transfer of the Addiction Recovery Center presented in the respective functional category.

The following procedures are used in establishing the budgetary data reflected in the schedule:

- (1) The level of budgetary control is established at the fund level for the Board of Health.
- (2) On or before June 1, the Budget Office prepares a proposed budget.
- (3) In June, a Board of Health study session is held to review the proposed budget.
- (4) On or before August 1, the Board of Health adopts the budget, and a request for the County funding portion of revenue is submitted to the Board of County Commissioners.
- (5) On or before December 1, the Board of County Commissioners establishes salaries for the upcoming year.
- (6) On or before January 15, prior year's expenditures are reviewed, the proposed budget is updated with current salaries and revised revenue and expenditures, and a final operating budget is developed.
- (7) The Board of Health enacts resolutions approving the operating budget, usually at the February Board meeting.
- (8) Expenditures may not legally exceed those approved by the Board of Health. Administrative control is maintained through the Board of Health's accounting system at the fund level. Funds may be reallocated within the fund level by departmental administrators without approval of the Board of Health. Any increase to the adopted budget requires that a supplemental budget be approved by the Board of Health.

SUPPLEMENTARY INFORMATION

Supplementary Information

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Governmental Fund - General Fund - Schedule of Revenues and Expenditures by Function

Year Ended December 31, 2015

	General Administration	Other Administration	Addiction Recovery	Family Health	Community Health	Environmental Health	Communicable Disease	Total
Operating Revenue								
Intergovernmental								
County	\$ 1,548,912	\$ 629,752	\$ 18,942	\$ 603,094	\$ 1,165,393	\$ 2,615,586	\$ 474,705	\$ 7,056,384
Local	143,115	-	535	-	66,996	646,315	-	856,961
Federal	329	-	-	-	-	71,671	-	72,000
State (includes federal pass-through funds)	370,794	193,809	17,253	1,491,872	591,195	200,784	585,109	3,450,816
Total Intergovernmental Revenue	<u>2,063,150</u>	<u>823,561</u>	<u>36,730</u>	<u>2,094,966</u>	<u>1,823,584</u>	<u>3,534,356</u>	<u>1,059,814</u>	<u>11,436,161</u>
Charges for services	142,275	192,874	4,531	40,957	167,764	622,604	23,119	1,194,124
Contributions	117	-	-	-	3,927	1,500	-	5,544
Interest	7,354	882	-	1,956	-	-	-	10,192
Miscellaneous	44,206	14,706	-	24,816	230,435	1,000	5,956	321,119
Total Other Revenues	<u>193,952</u>	<u>208,462</u>	<u>4,531</u>	<u>67,729</u>	<u>402,126</u>	<u>625,104</u>	<u>29,075</u>	<u>1,530,979</u>
Total revenue	<u>2,257,102</u>	<u>1,032,023</u>	<u>41,261</u>	<u>2,162,695</u>	<u>2,225,710</u>	<u>4,159,460</u>	<u>1,088,889</u>	<u>12,967,140</u>
Operating Expenditures								
Salaries	1,416,760	760,628	40,433	1,473,319	1,242,875	2,296,656	647,457	7,878,128
Fringes	454,030	279,351	35,656	505,967	456,115	787,941	195,628	2,714,688
Supplies	95,594	33,827	91	39,497	38,487	48,754	92,531	348,781
Professional/tech services	49,900	53,897	1,709	35,999	110,573	445,383	82,764	780,225
Property services	65,088	17,054	-	66,679	28,625	44,512	55,819	277,777
Other purchased services	7,702	28,723	(57)	15,390	61,276	37,803	19,558	170,395
Other expenditures	154,097	16,057	364	68,569	58,995	486,386	38,730	823,198
Total expenditures	<u>2,243,171</u>	<u>1,189,537</u>	<u>78,196</u>	<u>2,205,420</u>	<u>1,996,946</u>	<u>4,147,435</u>	<u>1,132,487</u>	<u>12,993,192</u>
Operating Income	13,931	(157,514)	(36,935)	(42,725)	228,764	12,025	(43,598)	(26,052)
Special item								
Net loss on transfer of Addiction Recovery Center	-	(1,987)	-	-	-	-	-	(1,987)
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 13,931</u>	<u>\$ (159,501)</u>	<u>\$ (36,935)</u>	<u>\$ (42,725)</u>	<u>\$ 228,764</u>	<u>\$ 12,025</u>	<u>\$ (43,598)</u>	<u>\$ (28,039)</u>

Supplementary Information

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Schedule of Revenues - Addiction Recovery Division

Year Ended December 31, 2015

	Alcohol and Drug Abuse Division DBH Services	Other Services	Total
Revenues			
Client services			
Medicaid fee for service	\$ -	\$ 5,271	\$ 5,271
Client fees	-	4,531	4,531
Net client service revenue	-	9,802	9,802
Government			
Colorado Department of Human Services			
Alcohol and Drug	14,142	-	14,142
Other Colorado and federal pass-through	-	535	535
Total Colorado and federal pass-through	14,142	535	14,677
Local government			
County	-	18,942	18,942
Total local government	-	18,942	18,942
Total government	14,142	19,477	33,619
Other income			
Other	-	-	-
Total other income	-	-	-
Total revenues	\$ 14,142	\$ 29,279	43,421
Less MSO (1) funding for indirect revenue credited to administration			(2,160)
Total behavioral health revenues			\$ 41,261

- (1) The Boulder County Public Health Addiction Recovery program was designated as a Managed Service Organization (MSO) in 1997 by the Colorado Department of Human Services, Division of Behavioral Health, which provides funding to the MSO to provide services to certain qualifying clients. A requirement of the funding contract is to present, in the formats utilized in these reports, summaries of the total cost of providing addiction recover services (identified as those expenses funded with MSO funds and other expenses) and total funding received (via the MSO contract and other sources) to pay this cost. On January 4, 2015, Boulder County Public Health transferred the Addiction Recovery Division to Mental Health Partners, a non-governmental organization.

Supplementary Information

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Schedule of Expenditures - Addiction Recovery Division

Year Ended December 31, 2015

	MSO-Funded Expenditures					Total MSO Expenses	Non-MSO Funded Expenses	Total Expenses
	Detox (incl. IC Transport)	Base Treatment (incl. SSIC)	Additional Family Services	Special Women's Services	General and Admin			
Personnel								
Salaries and wages	40,735	-	-	-	-	\$ 40,735	-	\$ 40,735
Employee benefits	35,656	-	-	-	-	35,656	-	35,656
Client related	-	-	-	-	-	-	-	-
Purchased services (external network)	-	-	-	-	-	-	-	-
Food	15	-	-	-	-	15	-	15
Medical (supplies, consultants)	961	-	-	-	-	961	-	961
Laboratory	-	-	-	-	-	-	-	-
Client expense/supplies/travel	2	-	-	-	-	2	-	2
Occupancy	-	-	-	-	-	-	-	-
Rent/leased space	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Operating								
Dues, fees, licenses and subscriptions	-	-	-	-	-	-	-	-
Equipment rental, lease, and maintenance	-	-	-	-	-	-	-	-
Postage/printing/photocopying	-	-	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-	150	150
Telephone and pagers	(76)	-	-	-	-	(76)	-	(76)
Travel (employee)	213	-	-	-	-	213	-	213
Other expenses	-	-	-	-	-	-	-	-
Employee development	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-
Other consultants	540	-	-	-	-	540	-	540
Indirect	-	-	-	-	2,160	2,160	-	2,160
Total expenses	\$ 78,046	\$ -	\$ -	\$ -	\$ 2,160	\$ 80,206	\$ 150	80,356
Less indirect expenses (not charged to specific program areas)								(2,160)
Total addiction recovery expenditures per audit report								\$ 78,196

GOVERNMENTAL AUDITING STANDARDS REPORT

**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
Boulder County Public Health
Boulder, 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 major fund of Boulder County Public Health, a component unit of Boulder County, Colorado, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Boulder County Public Health's basic financial statements, and have issued our report thereon dated June 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boulder County Public Health's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boulder County Public Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Boulder County Public Health'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 Boulder County Public Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



CliftonLarsonAllen LLP

Broomfield, Colorado
June 20, 2016

Boulder County Public Health
(A Component Unit of Boulder County, Colorado)

Schedule of Audit Findings
For the Year Ended December 31, 2015

Financial Statement Findings

There were no findings required to be reported under *Government Auditing Standards* for the fiscal year ended December 31, 2015.

Boulder County Public Health

(A Component Unit of Boulder County, Colorado)

Summary Schedule of Prior Year Audit Findings

For the Year Ended December 31, 2015

Financial Statement Findings

There were no findings required to be reported under *Government Auditing Standards* for the fiscal year ended December 31, 2014.