



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Snohomish Health District

Snohomish County

For the period January 1, 2014 through December 31, 2014

Published September 24, 2015

Report No. 1015007





Washington State Auditor's Office

September 24, 2015

Board of Health
Snohomish Health District
Everett, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Snohomish Health District's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Snohomish Health District Snohomish County January 1, 2014 through December 31, 2014

The results of our audit of the Snohomish Health District are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements of the governmental activities and each major fund.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over the major federal program that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The District qualified as a low-risk auditee under OMB Circular A-133.

STATUS OF PRIOR AUDIT FINDINGS

Snohomish Health District Snohomish County January 1, 2014 through December 31, 2014

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Snohomish Health District. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: 2013	Report Ref. No: 1012641	Finding Ref. No: 1
Finding Caption: The District's internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting.		
Background: It is the responsibility of District management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls over financial reporting that could affect the District's ability to produce reliable financial statements. During our audit, we identified the following deficiencies in internal controls that when taken together, represent a significant deficiency:		
<ul style="list-style-type: none"> • The District has review and oversight procedures in place to ensure journal entries were accurate, supported and independently reviewed on a timely basis. However, the year-end journal vouchers performed by the Business Manager were not independently reviewed. • Allotted time and resources to prepare and perform a technical and independent review of the financial statements was not adequate to ensure consistency with Generally Accepted Accounting Principles (GAAP). As a result, an independent review was not performed to ensure the financial statements were free from errors. • The District uses a detailed trial balance to prepare the Schedule of Expenditures of Federal Awards (SEFA); however, it lacks procedures to ensure the information presented on the SEFA is accurate and based on federal expenditures. 		
Status of Corrective Action: (check one)		
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> No Corrective Action Taken
		<input type="checkbox"/> Finding is considered no longer valid

Corrective Action Taken:

The District believes that it has fully addressed Finding 001 for 2013. The District hired an Accounting Supervisor in March 2015, and has implemented additional internal controls over accounting and financial statement preparation. All aspects of the 2014 financial statement generation underwent a thorough preparation, documentation, and review process. The following bullet points correspond to Finding 001 for 2013:

- Year-end journal vouchers were prepared by one Accounting staff member, and reviewed for accuracy and completeness by another. The Business Manager assigned entry preparation and review to those staff members who were most knowledgeable, and in the best position to be aware of all relevant facts, to perform that work.*
- Sufficient time was allotted to both prepare and perform a technical and independent review of the financial statements to ensure consistency with GAAP. The Accounting Supervisor and Business Manager met regularly during the generation of the statements to ensure that the District's financial statements are in compliance with GAAP.*
- Enhanced documentation and the processes of preparation and review outlined above, ensured that the information presented on the SEFA is accurate and based on federal expenditures.*

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

**Snohomish Health District
Snohomish County
January 1, 2014 through December 31, 2014**

Board of Health
Snohomish Health District
Everett, Washington

We have audited, 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, the financial statements of the governmental activities and each major fund of the Snohomish Health District, Snohomish County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 20, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Snohomish Health District
Snohomish County
January 1, 2014 through December 31, 2014**

Board of Health
Snohomish Health District
Everett, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Snohomish Health District, Snohomish County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 District'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. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District 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, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 OMB Circular A-133, 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 District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control 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.

PURPOSE OF THIS REPORT

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Snohomish Health District Snohomish County January 1, 2014 through December 31, 2014

Board of Health
Snohomish Health District
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Snohomish Health District, Snohomish County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the District'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 District'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Snohomish Health District, as of December 31, 2014, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General and Public Health Emergency Preparation and Response (PHEPR) funds, 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 17 through 20 and information on postemployment benefits other than pensions on page 45 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2015 on our consideration of the District'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 District's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 20, 2015

FINANCIAL SECTION

**Snohomish Health District
Snohomish County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014

Budgetary Comparison Statement – Governmental Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Information on Postemployment Benefits Other Than Pensions – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Snohomish Health District's discussion and analysis offers readers of the District's financial statements a narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in combination with the additional information that we have furnished in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The total assets of the district exceeded its liabilities at December 31, 2014 by \$7,822,562 (net position). Net assets invested in capital assets (net of depreciation and related debt) account for approximately 52 percent of this amount, with a value of \$4,052,974.
- The District's combined fund balances also increased during 2014. As of December 31, 2014 the District's governmental activities reported combined ending fund balances of \$7,329,729. This represents an increase of \$826,511 over the combined ending fund balances of \$6,503,218 at the end of 2013.

The District's general fund is the main operating fund of the District. This fund accounts for all financial resources except those accounted for in the special revenue fund.

The Public Health Emergency Preparation and Response special revenue fund accounts for activity relating to the District's role as the lead agency for the emergency preparedness and response activities in Washington State's Public Health Emergency Planning Region 1-North. This region includes Snohomish, Skagit, Whatcom, San Juan and Island Counties.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Snohomish Health District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The governmental activities of Snohomish Health District include a full range of public health services.

Capital Asset Activity

A schedule summarizing capital asset activity and the District's capitalization policies are provided in Note 1 E (6). The District's total investment in capital assets is

\$4,052,974, net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements, equipment, furniture and vehicles. Capital assets decreased by \$160,026, primarily due to an increase in accumulated depreciation.

Statement of Net Position

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of changes in the District's financial position. The District's assets exceeded liabilities by \$7,822,562 at December 31, 2014. The following table reflects the condensed Government-Wide Statement of Net Position of the Health District.

Comparative Statement of Net Position

Governmental Activities

	2014	2013
Current assets	\$ 9,425,921	\$ 8,775,327
Capital assets (net of depreciation)	4,052,974	4,213,001
Total assets	<u>13,478,895</u>	<u>12,988,328</u>
Current liabilities	2,395,429	2,560,074
Long-term liabilities	3,260,904	2,919,068
Total liabilities	<u>5,656,333</u>	<u>5,479,142</u>
Net Position:		
Invested in capital assets	4,052,974	4,213,001
Unrestricted	3,769,588	3,296,185
Total net position	<u>\$ 7,822,562</u>	<u>\$ 7,509,186</u>

Statement of Activities

The statement of activities presents information showing how the District's net position changed during 2014. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies.

Comparative Statement of Activities

	2014	2013
Program Revenues		
Charges for Services	\$ 5,700,564	\$ 5,844,284
Operating Grants & Contributions	5,467,426	5,935,710
General Revenues		
Grants & Contributions not restricted to specific programs	5,686,491	5,967,357
Interest and investment earnings	6,756	7,467
Miscellaneous	264,722	243,806
Total Revenues	17,125,959	17,998,624
Program Expenses		
Public Health	16,812,583	17,509,579
Total Expenses	16,812,583	17,509,579
Change in Net Position	313,376	489,045
Net Position Beginning	7,509,186	7,020,141
Net Position Ending	\$ 7,822,562	\$ 7,509,186

The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, e.g., accounts receivable.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Snohomish Health District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal activities. All of the funds of the District are classified as governmental funds.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present columns of financial data for the General Fund and Public Health Emergency Preparedness and Response Fund (PHEPR). The General Fund is considered to be a major fund based on criteria established by GASB Statement No. 34. GASB Statement No. 34 defines a major fund

as a fund who's assets, liabilities, revenues or expenditures comprise 1) at least 10 percent of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5 percent of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.

The District adopts an annual budget for its General Fund and Special Revenue Fund. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund and the Special Revenue fund to demonstrate compliance with budget.

Budget Variances in the General Fund

During 2014, the District continued to focus on bringing the structural deficit under control. Every staff position vacated by retirement or resignation was carefully scrutinized before any decision to rehire. By identifying opportunities for efficiencies, the District realized a salary savings of \$760,287 or 5.7%.

The District's budget allowed for major upgrades to information and business systems in 2014. While much progress was made during the year, the actual expenditure of funds will be made in 2015, resulting in a favorable variance over \$1 Million. The funding for these projects was re-appropriated in the 2015 budget.

On March 22, 2014, Snohomish County suffered a devastating mudslide along Hwy 530 which covered approximately one square mile and killed 43 people. District staff immediately responded to public health concerns in the area. In addition to grants made available by FEMA and the Department of Health and Human Services / Centers for Disease Control and Prevention, the District general fund resources of \$82,328 were transferred to the PHEPR fund to cover the cost of personnel deployed in response.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Requests for Financial Information

This financial report is designed to provide a general overview of Snohomish Health District finances. Questions concerning any information provided in this report should be addressed to the Business Office 3020 Rucker Avenue, Everett, Washington, 98201.

SNOHOMISH HEALTH DISTRICT
Statement of Net Position
December 31, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 647,980
Investments	7,214,900
Receivables, net	1,216,110
Inventory	167,417
Prepayments	179,514
Capital assets:	
Land (non-depreciable)	600,000
Building, net of accumulated depreciation	2,873,338
Other, net of accumulated depreciation	579,636
Total Assets	\$ 13,478,895
Deferred Outflows of Resources	\$ -
Liabilities	
Accounts payable	\$ 361,503
Other accrued liabilities	625,199
Revenue collected in advance	1,109,490
Compensated absences:	
Due within one year	299,237
Due after one year	1,621,936
Net OPEB Obligation - due after one year	1,638,968
Total Liabilities	\$ 5,656,333
Deferred Inflows of Resources	\$ -
Net Position	
Invested in capital assets, net of related debt	4,052,974
Unrestricted	3,769,588
Total Net Position	\$ 7,822,562

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT
Statement of Activities
For The Year Ended December 31, 2014

Function/Program	Expenses	Charges for Service	Program Revenues Operating Grants & Contributions	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Primary Government:				
Public Health	\$ 16,812,583	\$ 5,700,564	\$ 5,467,426	\$ (5,644,593)
Total Governmental Activities	<u>\$ 16,812,583</u>	<u>\$ 5,700,564</u>	<u>\$ 5,467,426</u>	<u>(5,644,593)</u>
General revenues:				
Grants & Contributions not restricted to specific programs				5,686,491
Interest and investment earnings				6,756
Miscellaneous				264,722
Total General Revenues				<u>5,957,969</u>
Change in Net Position				313,376
Net Position Beginning				7,509,186
Net Position Ending				<u>\$ 7,822,562</u>

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT
Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Public Health Emergency Preparedness and Response	Total All Governmental Funds
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 647,980	\$ -	\$ 647,980
Investments	7,214,900	-	7,214,900
Receivables, net	1,072,962	143,148	1,216,110
Interfund receivable	130,350	-	130,350
Inventory	167,417	-	167,417
Prepayments	179,514	-	179,514
Total Assets	9,413,123	143,148	9,556,271
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 9,413,123	\$ 143,148	\$ 9,556,271
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Accounts payable	\$ 360,968	\$ 535	\$ 361,503
Interfund payable	-	130,350	130,350
Other liabilities	612,936	12,263	625,199
Revenue collected in advance	1,109,490	-	1,109,490
Total Liabilities	2,083,394	143,148	2,226,542
Deferred Inflows of Resources	-	-	-
Fund Balances			
Non-spendable	346,931	-	346,931
Committed	1,926,999	-	1,926,999
Unassigned	5,055,799	-	5,055,799
Total Fund Balances	7,329,729	-	7,329,729
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,413,123	\$ 143,148	\$ 9,556,271
<u>Reconciliation to the Statement of Net Position:</u>			
Total Fund Balances, per above			\$ 7,329,729
Amounts reported in the above Balance Sheet differ from amounts reported in the Statement of Net Position by the following items:			
Capital assets, not reported in the funds			4,052,974
Liabilities for compensated absences due and payable later than the end of the current period, not reported in the funds			(1,921,173)
Liabilities for net other post employee benefits (OPEB) due and payable later than the current period, not reported in the funds			(1,638,968)
Total Net Position, per Statement of Net Position			\$ 7,822,562

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2014

	General Fund	Public Health Emergency Preparedness and Response	Total Governmental Funds
Revenues			
Licenses and Permits	\$ 3,077,096	\$ -	\$ 3,077,096
Intergovernmental	10,399,756	754,161	11,153,917
Charges for Services	2,623,468	-	2,623,468
Miscellaneous	270,434	1,043	271,477
Total Revenues	16,370,754	755,204	17,125,958
Expenditures			
Current:			
Personnel Services	12,655,541	618,494	13,274,035
Supplies	887,512	1,729	889,241
Other Services and Charges	1,851,688	217,309	2,068,997
Capital Outlay	67,174	-	67,174
Total Expenditures	15,461,915	837,532	16,299,447
Excess (deficiency) of revenues over (under) expenditures	908,839	(82,328)	826,511
Other Financing Sources (Uses)			
Transfers In	-	82,328	82,328
Transfers Out	(82,328)	-	(82,328)
Total other financing sources (uses)	(82,328)	82,328	-
Net Change in Fund Balances	826,511	-	826,511
Fund Balance as of January 1, 2014	6,503,218	-	6,503,218
Fund Balance as of December 31, 2014	\$ 7,329,729	\$ -	\$ 7,329,729
<u>Reconciliation to the Statement of Activities:</u>			
Net Change in Fund Balances, per above			\$ 826,511
Amounts reported in the above Statement of revenues, Expenditures, and Changes in Fund Balances - Government Funds differ from amounts reported in the Statement of Activities by the following items:			
Governmental funds report capital outlays as expenditures. The Statement of Activities reports the cost of capital assets are capitalized and depreciated over their estimated useful lives.			
Expenditures for capital assets	\$ 67,174.00		
Less current year depreciation	(227,200.00)		(160,026)
Decrease (increase) to the liability for compensated absences			(123,587)
Decrease (increase) to the liability for the net OPEB obligation			(229,522)
Change in Net Position, per Statement of Activities			\$ 313,376

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT
Budgetary Comparison Statement
Governmental Funds

For the Year Ended December 31, 2014

	General Fund		Public Health Emergency Preparation and Response			Total Governmental Funds
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Licenses and Permits	\$ 3,109,957	\$ 3,109,957	\$ 3,077,096	-	-	\$ 3,077,096
Intergovernmental	10,394,113	10,394,113	10,399,756	672,252	672,252	11,153,917
Charges for Services	2,825,275	2,825,275	2,623,468	-	-	2,623,468
Miscellaneous	191,078	191,078	270,434	-	-	271,477
Total Revenues	16,520,423	16,520,423	16,370,754	672,252	672,252	17,125,958
Expenditures:						
Health						
Personnel Services	13,587,254	13,587,254	12,655,541	447,068	447,068	13,274,035
Supplies	600,221	600,221	887,512	2,184	2,184	889,241
Other Services and Charges	2,141,561	2,141,561	1,851,688	223,000	223,000	2,068,997
Capital Outlay	1,085,500	1,085,500	67,174	-	-	67,174
Total Expenditures	17,414,536	17,414,536	15,461,915	672,252	672,252	16,299,447
Excess (deficiency) of revenues over expenditures	(894,113)	(894,113)	908,839	-	-	826,511
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	82,328
Transfers Out	-	-	(82,328)	-	-	(82,328)
Total other financing sources (uses)	-	-	(82,328)	82,328	82,328	-
Net change in fund balances	(894,113)	(894,113)	826,511	-	-	826,511
Fund Balance as of January 1, 2014	6,503,218	6,503,218	6,503,218	-	-	6,503,218
Fund Balance as of December 31, 2014	\$ 5,609,105	\$ 5,609,105	\$ 7,329,729	\$ -	\$ -	\$ 7,329,729

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Snohomish Health District (the District) were prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The significant accounting policies are described below.

A. Reporting Entity

The District was incorporated in 1959, and operates under the laws of the State of Washington applicable to local governmental units. As required by GAAP, the financial statements present Snohomish Health District as the primary government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. The effect of interfund activity has been substantially eliminated from these statements.

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. 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. Revenues not included among program revenues are reported as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both 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 district considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fees, licenses, and associated interest earned within the reporting period are recognized as revenues of the reporting period. All other revenues are considered to be measurable and available only when cash is received by the District.

The District reports the following governmental funds:

The General Fund is the main operating fund of the District. This fund accounts for all financial resources except those accounted for in the special revenue fund.

The Public Health Emergency Preparedness and Response Special Revenue Fund accounts for activity relating to the District's role as the lead agency for the emergency preparedness and response activities in Washington State's Public Health Emergency Planning Region 1 – North, including the counties of Snohomish, Skagit, Whatcom, San Juan, and Island.

D. Budgetary Information

(1) Scope of Budget

Annual budgets are adopted for all funds on the accrual basis of accounting.

The District's budget is adopted at the fund level and expenditures may not exceed appropriations at that level of detail.

Appropriations for general and special revenue funds lapse at year end.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

(2) Amending the Budget

The District's director is authorized to transfer budgeted amounts among object classes within programs; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee

positions by more than 20% or 1 FTE whichever is greater, salary ranges, hours, or other conditions of employment must be approved by the Board of Health.

When the Board of Health determines that it is in the best interest of the District to increase or decrease the appropriation for a particular fund, it may do so by resolution approved by one more than the majority after holding public hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities and Equities

(1) Cash and Cash Equivalents

At December 31, 2014 the district held \$647,980 in cash and cash equivalents, as reported on the Statement of Net Position and Balance Sheet. Cash equivalents are defined as uninvested residual cash and imprest funds.

The District's cash and cash equivalents are invested in accordance with RCW 35.82.070 (6). The District invests in savings accounts, money market accounts and certificates of deposit at banks that are qualified depositories as designated by the Washington Public Deposit Protection Commission (WPDPC) pursuant to RCW 39.58. The WPDPC is a risk sharing pool whereby member banks that are designated as "qualified public depositories" mutually insure public deposits against loss. All deposits and bank balances are insured against loss by the FDIC or WPDPC. All of the District investments are classified under risk Category 1, as either insured, registered or held by the District, or its agent, in the District's name.

All cash and cash equivalents are recorded at market value.

(2) Investments

At December 31, 2014, the Snohomish County Treasurer held \$7,214,900 in short-term investments. This amount is reported on Statement of Net Position, and Balance Sheet, as Investments. These investments are valued at cost, and the interest on investments is prorated between the funds.

As required by state law, investments of the District's funds are obligations of the U.S. Government, the State Treasurer's Investment Pool or deposits with Washington State Banks and savings and loan institutions.

All investments are held by Snohomish County in the District's name.

3) Inventories

The cost of expendable supplies held for consumption by the general and special revenue funds is recorded as an expenditure at the time the individual items are purchased. Vaccine received in lieu of cash from the State of Washington consolidated contract, and which remains unused at year end, is reported on the Statement of Position and Balance Sheet as inventory at year end. Inventories of vaccine are valued at cost. The value of the ending vaccine inventory is included in the "non-spendable" fund balance category to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

(4) Receivables

Accounts receivable consists of amounts owed from other governments, private individuals, or organizations for goods and services provided by the District, including amounts owed for which billings have not been prepared.

(5) Amounts Due to and from Other Funds and Interfund Loans Receivable and Payable

These accounts include all interfund receivables and payables.

(6) Capital Assets

Capital assets include items such as land, buildings, infrastructure, vehicles, and equipment, and are reported in Statement of Net Position. The District reports an item as a capital asset when its initial, individual cost exceeds \$5,000, and it has an estimated useful life in excess of one year. Capital assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets are capitalized as projects are constructed. Costs for additions or improvements to existing capital assets are capitalized when they materially increase the value, capacity, or life of the asset.

The cost of each capital asset, less estimated salvage value, if applicable, is depreciated, or amortized, using the straight line method, over its estimated useful life.

<u>Capital Asset Category</u>	<u>Estimated useful life</u>
Buildings	5 - 50 years
Equipment	7 – 20 years
Furniture	7 – 20 years
Improvements	10 years
Vehicles	6 years

A summary of changes in capital assets appears as follows:

	Beginning Balance 1/1/2014	Additions	Deletions	Ending Balance 12/31/2014
Capital Assets				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Buildings	7,506,413	38,369	-	7,544,782
Equipment	881,210	28,805	(11,294)	898,721
Vehicles	688,951	-	(15,553)	673,398
Improvements	656,245	-	-	656,245
Furniture	558,110	-	-	558,110
Total capital assets	10,890,929	67,174	(26,847)	10,931,256
Less Accumulated Depreciation				
Buildings	(4,523,040)	(148,405)		(4,671,445)
Vehicles	(688,951)	-	15,553	(673,398)
Equipment	(634,702)	(33,820)	11,294	(657,228)
Furniture	(414,098)	(24,886)		(438,984)
Improvements	(417,138)	(20,090)		(437,228)
Total accumulated depreciation	(6,677,929)	(227,200)	26,847	(6,878,282)
Capital Assets, net	\$ 4,213,000	\$ (160,026)	\$ -	\$ 4,052,974

Depreciation is expensed to functions and programs of the primary government as Public Health.

(7) Compensated Absences

Eligible employees may accumulate 12 to 30 days of vacation leave, depending upon the employee's length of service; however, they may not accumulate more than 320 hours of vacation without approval of the Health Officer. All outstanding vacation leave is payable upon resignation, retirement, or death of the employee. The liability for vacation leave at December 31, 2014 is \$892,792.

Sick leave accumulates at the rate of 1 day per month. A percentage of sick leave is payable upon resignation, retirement or death of the employee. The amount of accrued sick leave and percentage payable are dependent on the employee's collective bargaining agreement, hire date and length of service, as follows:

- All employees hired before January 1, 2015, and those hired on or after January 1, 2015 who are not covered by a collective bargaining agreement, with greater than six years of service are eligible to receive payment of 25% of their accrued sick leave without limit of hours accrued. Those employees with greater than fourteen years may receive 50% of their accrued sick leave without limit of hours accrued. The liability for vested sick leave at December 31, 2014 is \$999,262.
- Employees hired on or after January 1, 2015 who are covered by a collective bargaining agreement with more than six years of service are eligible to receive payment of 25% of their accrued sick leave, up to 1,000 hours.

Eligible employees may accrue compensatory time in lieu of overtime pay. The liability for compensatory time at December 31, 2014 is \$29,119.

Lump-sum payments are made to employees when they separate from employment with the District. Department of Retirement's statistical analysis of expected separations are applied to the District's employee demographics to estimate the portion of the liability that is payable within one year.

(8) Other Accrued Liabilities

These amounts consist of items such as use taxes payable to the State of Washington, and wages and benefits payable as of yearend.

(9) Fund Balance Classifications

The government-wide financial statements present fund balance as net position, which is reported in the three components, as applicable:

- a) Invested in capital assets, net of related debt. This amount consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted. This amount consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, and contributors; or (2) legal restrictions resulting from constitutional provisions or enabling legislation.

- c) Unrestricted. This amount consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The governmental funds’ financial statements present fund balance displayed in the following four components, as applicable:

- a) Non-spendable fund balance. This amount consists of assets that are not in spendable form, such as inventory and prepayments.
- b) Committed fund balance. This amount consists of that portion of the general fund balance that has been set aside by the Snohomish Health District Board of Health by resolution for a specific purpose. The District has committed 30 days of the expenditure budget for working capital, plus a \$500,000 emergency fund.
- c) Assigned fund balance. This amount consists of that portion of fund balance that has been set aside for a special purpose. Balances in special revenue funds are considered assigned for the purposes of that fund.
- d) Unassigned fund balance. This amount is the remainder of fund balance that is not classified as non-spendable, committed or assigned.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds’ Balance Sheet includes the reconciliation between Total Governmental Fund Balances, on the Balance Sheet, and Total Net Position, on the Statement of Net position.

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds’ Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between Net changes in fund balance of total governmental funds, and Change in Net Position reported in the Statement of Activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 - PENSION PLANS

Substantially all Snohomish Health District full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) Plans 1, 2, and 3, one of the statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined

benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment. PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the

monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS

Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** Plan 3 defined benefit portion only.
- *** Minimum rate.

Both Snohomish Health District and the employees made the required contributions. The Snohomish Health District required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	\$ 22,864	\$ 721,894	\$ 161,981
2013	\$ 30,488	\$ 676,520	\$ 165,107
2012	\$ 38,266	\$ 610,226	\$ 134,755

NOTE 5 - OTHER POST- EMPLOYMENT BENEFITS (OPEB)

The state, through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. Programs include medical, dental, life and long-term disability. Employers participating in the plan include the state (which includes general government agencies and higher education institutions), 54 of the state's K-12 school and educational service districts (ESDs), and 207 political subdivisions. Additionally, the PEBB plan is available to the retirees of the remaining 243 K-12 school districts and ESDs. The Snohomish Health District's retirees are eligible to participate in the plan under this arrangement.

Plan Description

Eligibility

District members are eligible for retiree medical benefits after becoming eligible for retirement pension benefits (either reduced or full pension benefits) under Plan 1, 2 or 3 of PERS. Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical and life insurance benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits.

Summary of Benefits

The District participates as a local government employer in the program of benefits for state and local government employees provided through the Public Employees Benefit Board (PEBB). The program is administered by the Washington State Health Care Administration (HCA). The District pays premiums only for its active employees, and does not directly make any payments on behalf of its retirees. Under this program, HCA directs a portion of the active premiums received from all employers to a fund for retiree coverage. These funds are then used to provide a subsidy of coverage for Medicare-eligible retirees (that is, most retirees at least age 65 and some disabled retirees under age 65). For 2014, this subsidy was 50 percent of the applicable premium, up to a maximum of \$150.00 monthly. Each participating employer is free to provide additional subsidies; however, any gap between the total premium and the subsidy must be paid by the retiree, or there is no coverage.

Funding Policy

The funding policy is based upon the pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The district's annual other post-employment benefits (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year

and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2014 (level cost method). The following table shows the components of the district's annual OPEB cost for 2014.

Annual Required Contribution (ARC)

Annual Required Contribution	\$	303,260
Interest on unfunded (overfunded) ARC		56,378
Adjustments to the ARC		(48,640)
Annual OPEB Cost		310,998
Contribution Made		(86,476)
Change in NPO		224,522
Net OPEB Obligation - Beginning of Year		1,409,446
Net OPEB Obligation - End of Year		\$ 1,638,968

Funded Status and Funding Progress

The District does not currently fund these benefits. Benefits have historically been paid on a pay-as-you-go basis. As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The Unfunded Actuarial Accrued Liability as of January 1, 2014 was approximately \$4.6 million.

The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and Assumptions

In accordance with GASB 45, selection of all actuarial assumptions, including the health care cost trend rate in valuations of post-employment health care plans, should be guided by Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefit Obligations, as revised from time to time by the Actuarial Standards Board. Accordingly, actuarial assumptions should be based on the actual experience of the covered group, to the extent that creditable experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions. The actuarial assumptions used to value the post-retirement medical liabilities can be categorized into three groups: economic assumptions, health care assumptions, and demographic assumptions.

Economic Assumptions

The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded. The discount rate is assumed to be 4.0 percent.

Health Care Cost Trend Rates

The table below shows the health care cost trend rates that were used for the actuarial valuation of the Post-Retirement Medical Plan. The set of health care trend rates feature varying initial health care cost trend rates based on type of benefit, and trend rates for all benefits decline to an ultimate rate of 5 percent.

Health Care Cost Trend Rate Assumptions

Year	Health Care Trend Rate
2014	5.2
2015	5.7
2016	6.1
2020	6.0
2025	5.8
2030	6.0
2035	5.9
2040	5.3
2050	5.0
2060	4.9
2070	4.8
2084 & Ultimate	4.2

Medical Assumptions

The valuation projects the health care costs for employees who remain in the District with coverage after retirement. The data includes claim information for covered retirees. Based on the data provided, per capita costs for the retired group under 65 and the retired group age 65 and older were calculated. Retirees generally become eligible for Medicare at age 65.

Demographic Assumptions

The demographic assumptions include the rate of mortality, the rate of withdrawal, the rate of retirement, and the rate of disability. Ancillary demographic assumptions include the age of female spouses, and coverage rates, and participation rates.

For further information on the results the actuarial valuation of the employer provided subsidies associated with the state’s PEBB plan, refer to:
http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

NOTE 6 - LONG TERM DEBT

The district's long term debt consists of the Net OPEB Obligation (see note 5) and the long term portion of compensated absences (see Note 1E(7)).

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB Obligation	\$1,409,446	\$229,522	\$ -	\$1,638,968	
Compensated Absences	1,797,586	123,587	-	1,921,173	299,237
Total Long Term Liabilities	\$3,207,032	\$353,109	\$ -	\$3,560,141	\$299,237

NOTE 7 - DEFERRED COMPENSATION PLAN

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457 – one through Nationwide Investment Services Corporation and the other through the State of Washington Deferred Compensation Program. The plans are available to all eligible District employees, permitting them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust until paid or made available to the employee or other beneficiary. Except as otherwise permitted or required by law, no assets or income of the plans shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan.

NOTE 8 - RISK MANAGEMENT

Snohomish Health District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides “per occurrence” based policies for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers crime coverage up to a liability limit of \$1,000,000 per occurrence.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$10,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$990,000 on liability loss;
- \$250,000 deductible on property loss - the member is responsible for the first \$10,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$240,000 on property loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

NOTE 9 – RELATED PARTY TRANSACTIONS

Snohomish County Council members serve as members of the Board of Health and have significant influence in the management of the District. In 2014, Snohomish County provided the following funding:

	Amount
Communicable Disease Control	\$1,600,000
Public Health Per Capital Allotment	653,200
Chemical Dependency / Mental Health Support for First Steps program	900,000
Solid Waste contract for services	<u>754,000</u>
Total Funding	<u>\$3,907,200</u>

REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits (OPEB)

Schedule of Funding Progress of Other Post Employment Benefits:

Fiscal Year Ended 31-Dec	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
2008	1/1/2008	0	\$3,831,823	\$3,831,823	0.00%	\$13,543,194	28.30%
2009	1/1/2009	0	4,111,495	4,111,495	0.00%	14,084,921	29.20%
2010	1/1/2010	0	4,191,763	4,191,763	0.00%	11,925,562	35.10%
2011	1/1/2011	0	4,511,764	4,511,764	0.00%	11,073,200	40.70%
2012	1/1/2012	0	4,303,196	4,303,196	0.00%	13,151,121	32.70%
2013	1/1/2013	0	4,326,202	4,326,202	0.00%	11,191,589	38.70%
2014	1/1/2014	0	4,567,619	4,567,619	0.00%	11,611,274	39.30%

GASB 45 was implemented for the fiscal year ended December 31, 2008. No information Prior to December 31, 2008 is available.

The actuarial study is performed triennially. The actuarial method used in the Schedule of Funding Progress of Other Post Employment Benefits is disclosed in Notes to the Financial Statements Note 5.

Schedule of Employer Contributions Without Advanced Funding:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2008	\$ 317,798	\$ 84,890	26.71%	\$ 232,908
12/31/2009	328,279	84,890	25.90%	476,297
12/31/2010	336,178	57,686	17.16%	754,789
12/31/2011	359,297	74,536	20.70%	1,039,551
12/31/2012	288,226	97,389	33.80%	1,230,389
12/31/2013	295,775	116,398	39.50%	1,409,446
12/31/2014	310,998	81,476	26.20%	1,638,968

GASB 45 was implemented for the fiscal year ended December 31, 2008. No information Prior to December 31, 2008 is available.

The actuarial study is performed triennially. The actuarial method used in the Schedule of Funding Progress of Other Post Employment Benefits is disclosed in Notes to the Financial Statements Note 5.

**Snohomish Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K774	45,248	-	45,248	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1166-35269	105,837	-	105,837	Note 4
				151,085	-	151,085	
Other Programs							
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16901	1,358,392	-	1,358,392	Note 4
Food And Nutrition Service, Department Of Agriculture (via Washington State Dept of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16901	948	-	948	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C16901	713,327	-	713,327	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C16901	82,758	-	82,758	Note 4

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C16901	142,915	-	142,915	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	N/A	282,120	-	282,120	Notes 2 & 3
Total CFDA 93.268:				425,035	-	425,035	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	C16901	43,426	-	43,426	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C16901	53,400	-	53,400	Note 4
Administration For Children And Families, Department Of Health And Human Services (via Snohomish County Human Services)	Community Services Block Grant	93.569	HCS-12-15-001-244	188,147	-	188,147	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C16901	6,600	-	6,600	Note 4

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C16901	32,469	-	32,469	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	HIV Prevention Activities_Health Department Based	93.940	C16901	227,525	-	227,525	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	C16901	20,000	-	20,000	Note 4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Preventive Health and Health Services Block Grant	93.991	C16901	22,590	-	22,590	Note 4
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C16901	348,881	-	348,881	Note 4
Department Of Homeland Security (via Military Department Public Assistance Unit)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D14-225	8,365	-	8,365	
Total Federal Awards Expended:				3,682,948	-	3,682,948	

SNOHOMISH HEALTH DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Federal Financial Assistance is prepared on the same basis of accounting as the District's financial statements. The district uses the modified accrual basis of accounting.

NOTE 2 – NONCASH AWARDS – VACCINATIONS

The amount of vaccine reported on the schedule is the value of vaccine provided to the district during the current year and priced as indicated by the Washington State Department of Health. In the 2012-2014 contract with the Washington Department of Health, no award was provided for vaccine in lieu of cash. Instead, vaccine was supplied to the district as needed.

NOTE 3 – NOT AVAILABLE (N/A)

Vaccine donation agreements do not reference a contract number.

NOTE 4 – INDIRECT COST REIMBURSEMENTS

The amount includes indirect cost reimbursements at a percentage rated approved by the grantor.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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