



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### Spokane Regional Health District

Spokane County

For the period January 1, 2015 through December 31, 2015

Published June 23, 2016

Report No. 1016926





## Washington State Auditor's Office

June 23, 2016

Board of Health  
Spokane Regional Health District  
Spokane, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Spokane Regional 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,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Spokane Regional Health District  
Spokane County  
January 1, 2015 through December 31, 2015**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Spokane Regional Health District are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### 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 major federal programs 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 in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The District qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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**

**Spokane Regional Health District  
Spokane County  
January 1, 2015 through December 31, 2015**

Board of Health  
Spokane Regional Health District  
Spokane, 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 Spokane Regional Health District, Spokane County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 8, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**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**

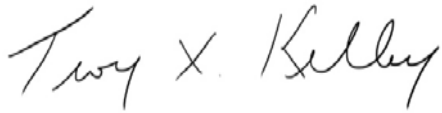
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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.

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 8, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Spokane Regional Health District  
Spokane County  
January 1, 2015 through December 31, 2015**

Board of Health  
Spokane Regional Health District  
Spokane, Washington

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

We have audited the compliance of the Spokane Regional Health District, Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2015. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance

requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

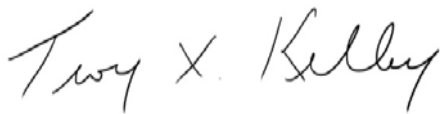
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 8, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Spokane Regional Health District Spokane County January 1, 2015 through December 31, 2015**

Board of Health  
Spokane Regional Health District  
Spokane, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Spokane Regional Health District, Spokane County, Washington, as of and for the year ended December 31, 2015, 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 Spokane Regional Health District, 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.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **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 28, budgetary comparison information on page 49 and pension plan information on pages 50 through 51 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.

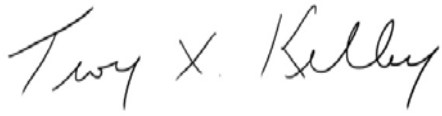
### ***Supplementary and Other Information***

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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 June 8, 2016 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.

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 8, 2016

## **FINANCIAL SECTION**

**Spokane Regional Health District  
Spokane County  
January 1, 2015 through December 31, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation – Balance Sheet/Statement of Net Position – 2015

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental  
Funds – 2015

Notes to Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
General Fund – 2015

Schedule of District's Proportionate Share of the Net Pension Liability – 2015

Schedule of District Contributions – 2015

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015



**Spokane Regional Health District**  
**Annual Report**  
**For the Fiscal Year Ended December 31, 2015**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (MD&A) of the Spokane Regional Health District (SRHD) provides an introduction to the major activities affecting the operations of the Health District and an introduction and overview to the financial performance and statements of the Spokane Regional Health District for the fiscal year ended December 31, 2015.

*Discussion of the Basic Financial Statements*

SRHD's basic financial statements that follow this MD&A provide detail on both a government-wide and fund basis. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of net position presents the district as one economic unit using the economic resources measurement focus and the accrual basis of accounting. Net position is reported in categories of: net investment in capital assets, restricted and unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment.

Separate fund financial statements are provided for governmental funds. The major individual governmental fund is reported as a separate column in the fund financial statements. SRHD reports only one type of major governmental fund, its General Fund. The general fund is SRHD's operating fund. It accounts for all financial resources of the general government.

The governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balance both include reconciliations of amounts reported on those statements and the government-wide financial statements.

The other general fund statement included is the Budgetary Comparison Statement, which shows the resources and charges to appropriations for the fiscal year's original budget, final budget, and actual amounts. It also includes a calculation of the actual variance to final budget.

Please note that the notes to financial statements are an integral part of each statement.

*Condensed Comparative Financial Data*

The changes in net position are a useful indicator of SRHD's financial position. SRHD's assets exceeded liabilities by \$8.2 million at December 31, 2015. During the year, the District had revenues of \$23.9 million and expenses of \$24.3 million. GASB 68 was implemented resulting in a decrease to net assets of \$10.7 million for the cumulative change in accounting principle. The results of operation and implementation of GASB 68 result in a decrease to Net Assets of \$1.8 million.

**Spokane Regional Health District**  
**Annual Report**  
**For the Fiscal Year Ended December 31, 2015**

A condensed comparative of SRHD's total net position at December 31 is shown below (in thousands):

			Change Increase (Decrease)
	<u>2015</u>	<u>2014</u>	
<b>ASSETS:</b>			
Current and Other Assets	\$ 9,509	\$ 9,675	\$ (166)
Capital Assets	<u>10,698</u>	<u>2,270</u>	<u>8,428</u>
Total Assets	<u>20,207</u>	<u>11,945</u>	<u>8,262</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	<u>1,092</u>	<u>-</u>	<u>1,092</u>
<b>LIABILITIES:</b>			
Long-term Liabilities	9,921	655	9,266
Other Liabilities	<u>988</u>	<u>773</u>	<u>215</u>
Total Liabilities	<u>10,909</u>	<u>1,428</u>	<u>9,481</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	<u>2,202</u>	<u>522</u>	<u>1,680</u>
<b>NET POSITION:</b>			
Invested in Capital Assets	10,698	2,270	8,428
Unrestricted	<u>(2,510)</u>	<u>7,726</u>	<u>(10,236)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,188</u>	<u>\$ 9,996</u>	<u>\$ (1,808)</u>

*Analysis of the Condensed Comparative Statement of Net Position*

Current and other assets consist primarily of cash and cash equivalents and receivables for grant billings from both federally and state funded programs.

The increase in capital assets during 2015 reflects the SRHD building ownership transfer from Spokane County to the District.

The decrease in unrestricted net position reflects the overall operations excess of expenditures over revenues as well as the implementation of GASB 68 which resulted in a net pension liability of \$9 million.

**Spokane Regional Health District**  
**Annual Report**  
**For the Fiscal Year Ended December 31, 2015**

Condensed Statement of Activities (in thousands)

<b>Revenues</b>	<b>2015</b>	<b>2014</b>
Charges for Services	6,423	5,857
Operating Grants & Contributions	11,843	10,396
General Revenues	5,677	5,678
<b>Total Revenues</b>	<b>\$ 23,943</b>	<b>\$ 21,931</b>
<b>Program Expenses</b>		
Public Health	23,541	20,729
<b>Total Expenses</b>	<b>\$ 23,541</b>	<b>\$ 20,729</b>
Change in Net Position	402	1,202
<b>Total Net Position, January 1</b>	<b>\$ 9,996</b>	<b>\$ 8,794</b>
<b>Special Item : SRHD building transfer</b>	<b>\$ 8,459</b>	
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>\$ (10,669)</b>	
<b>Total Net Position, December 31</b>	<b>\$ 8,188</b>	<b>\$ 9,996</b>

*Overall Analysis of Financial Position and Result of Operations*

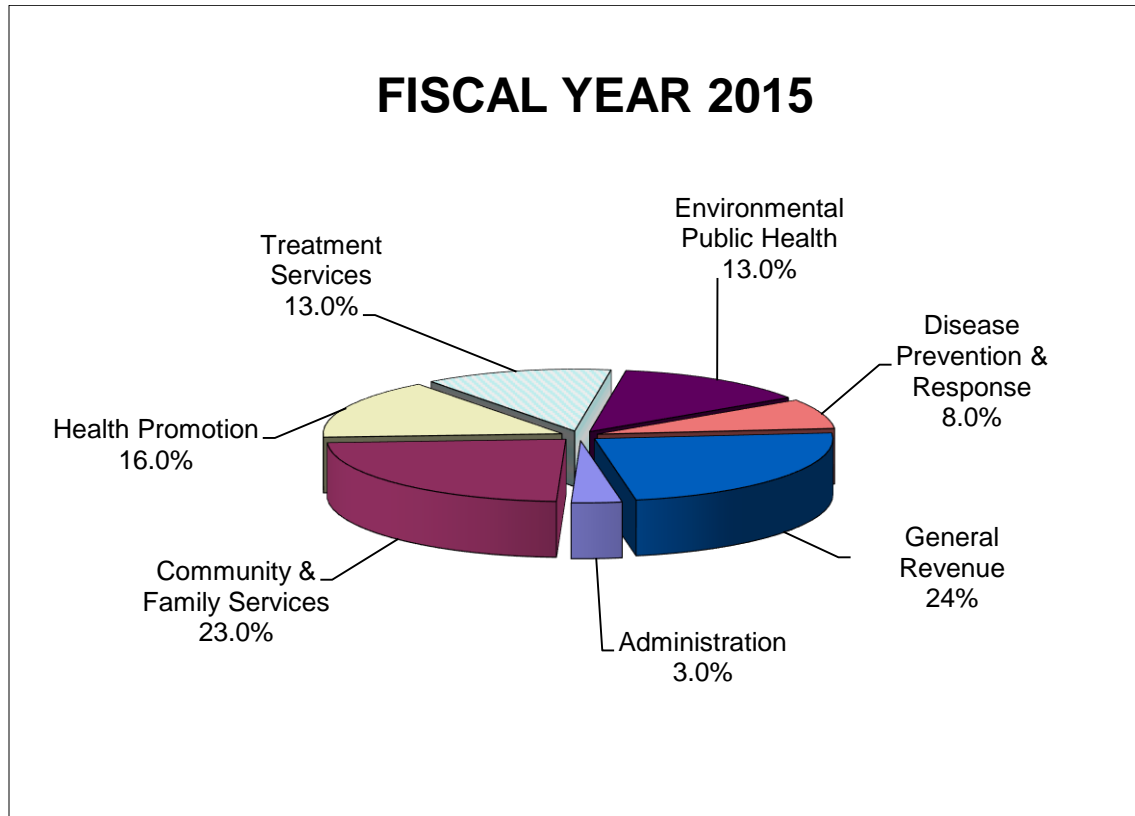
- The 2014-2015 total revenues of \$23.9 million exceed total expenses of \$23.5 by \$402 thousand. Total revenues were up due to the pass-through admin match activities for 2014 and 2015 reflected in 2015 revenues and the school district grant increases in both student counts and amount per student in 2015. The decreased expenditures reflects the effect of the changes in recoding pension expense.

A summary of revenues for the year ended December 31, 2015, and the amount and percentage change in relation to prior year amounts is as follows (in thousands):

	2015	2014	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>PROGRAM REVENUES:</b>				
Community & Family Services	\$ 5,621	\$ 5,082	\$ 539	10.6%
Health Promotion	3,742	3,454	288	8.3%
Treatment Services	3,040	2,487	553	22.2%
Environmental Public Health	3,179	3,058	121	4.0%
Disease Prevention & Response	1,867	1,744	123	7.1%
Administration	816	427	389	91.1%
<b>TOTAL PROGRAM REVENUES</b>	<b>18,265</b>	<b>16,252</b>	<b>2,013</b>	<b>12.4%</b>
<b>GENERAL REVENUE</b>	<b>5,678</b>	<b>5,678</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL REVENUES</b>	<b>\$ 23,943</b>	<b>\$ 21,930</b>	<b>\$ 2,013</b>	<b>9.2%</b>

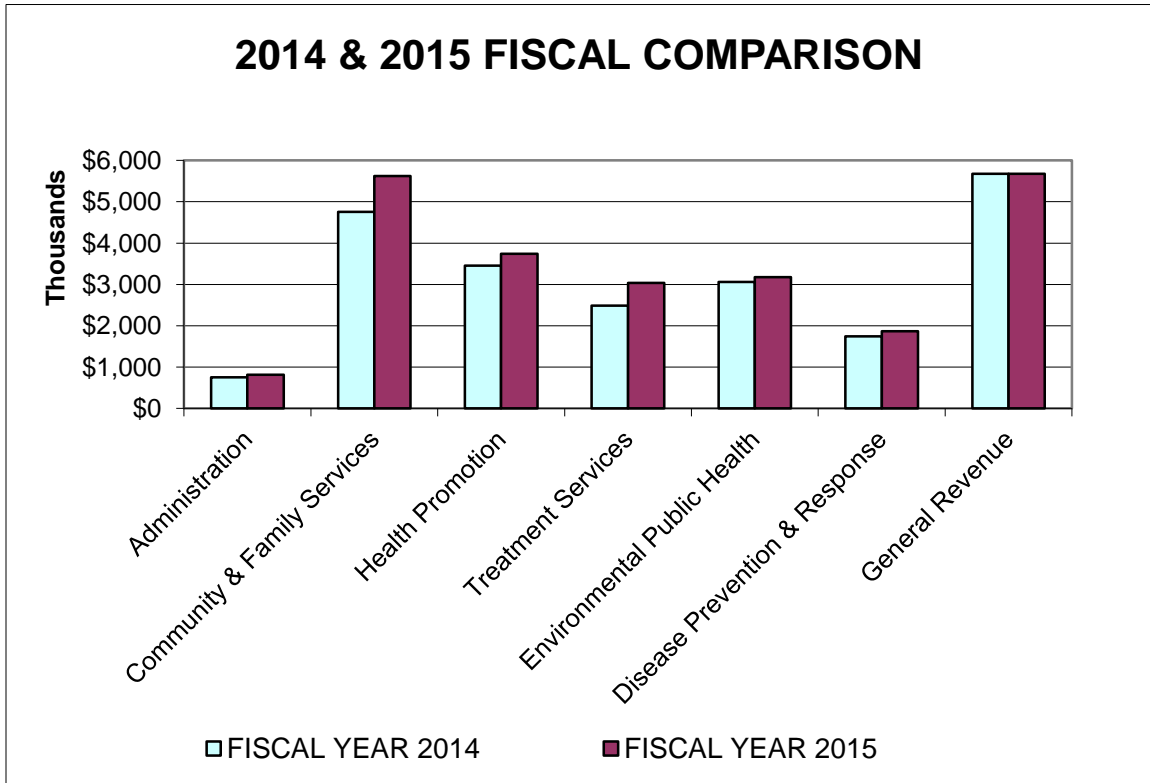
**Spokane Regional Health District  
Annual Report  
For the Fiscal Year Ended December 31, 2015**

The following chart shows revenues by division for the fiscal year ended December 31, 2015:



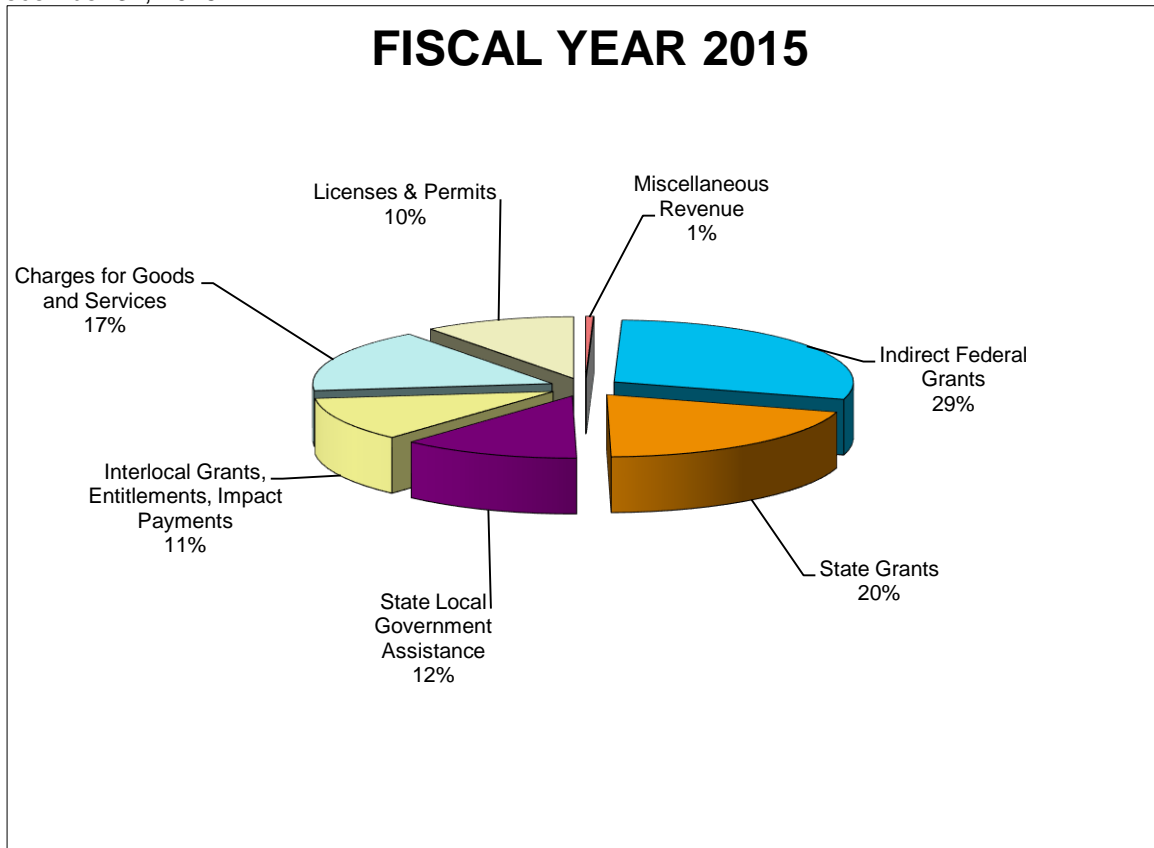
**Spokane Regional Health District  
Annual Report  
For the Fiscal Year Ended December 31, 2015**

A comparison of revenues by division for fiscal years ending December 31, 2014 and 2015 is as follows:



**Spokane Regional Health District  
Annual Report - Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

The following chart shows the major sources and the percentage of total operating revenues for the fiscal year ended December 31, 2015:

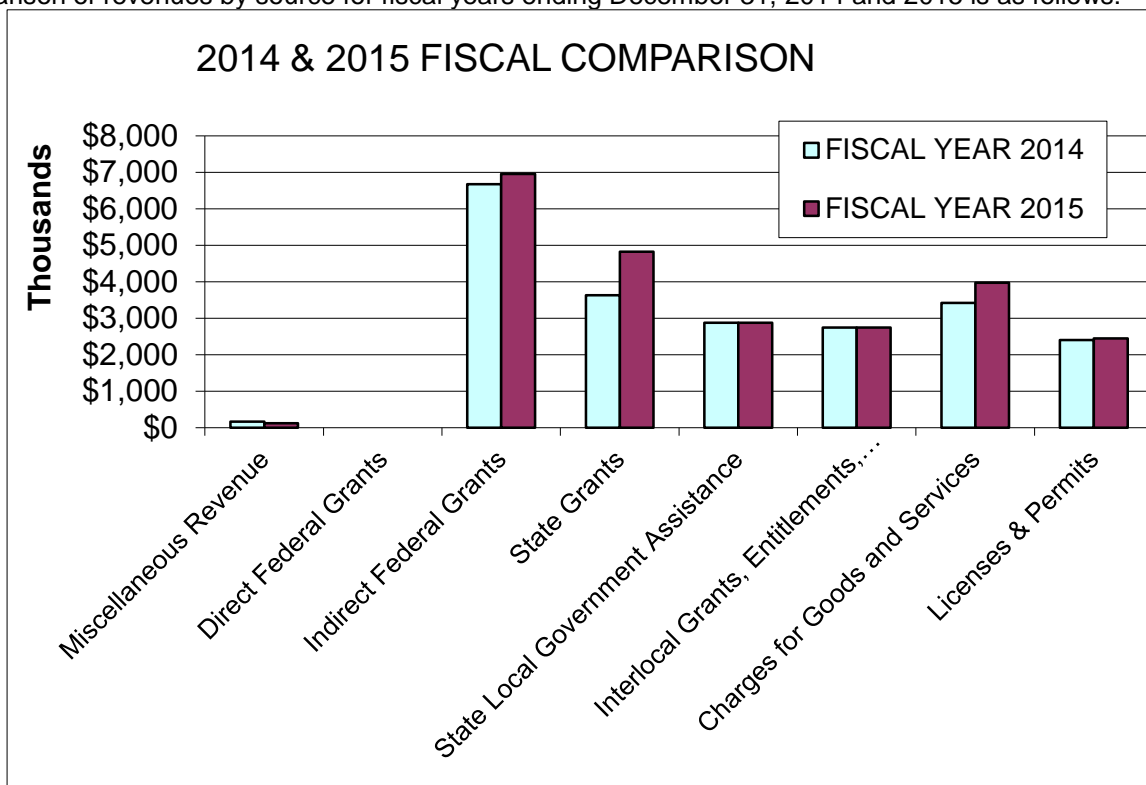


# Spokane Regional Health District

## Annual Report

### For the Fiscal Year Ended December 31, 2015

A comparison of revenues by source for fiscal years ending December 31, 2014 and 2015 is as follows:

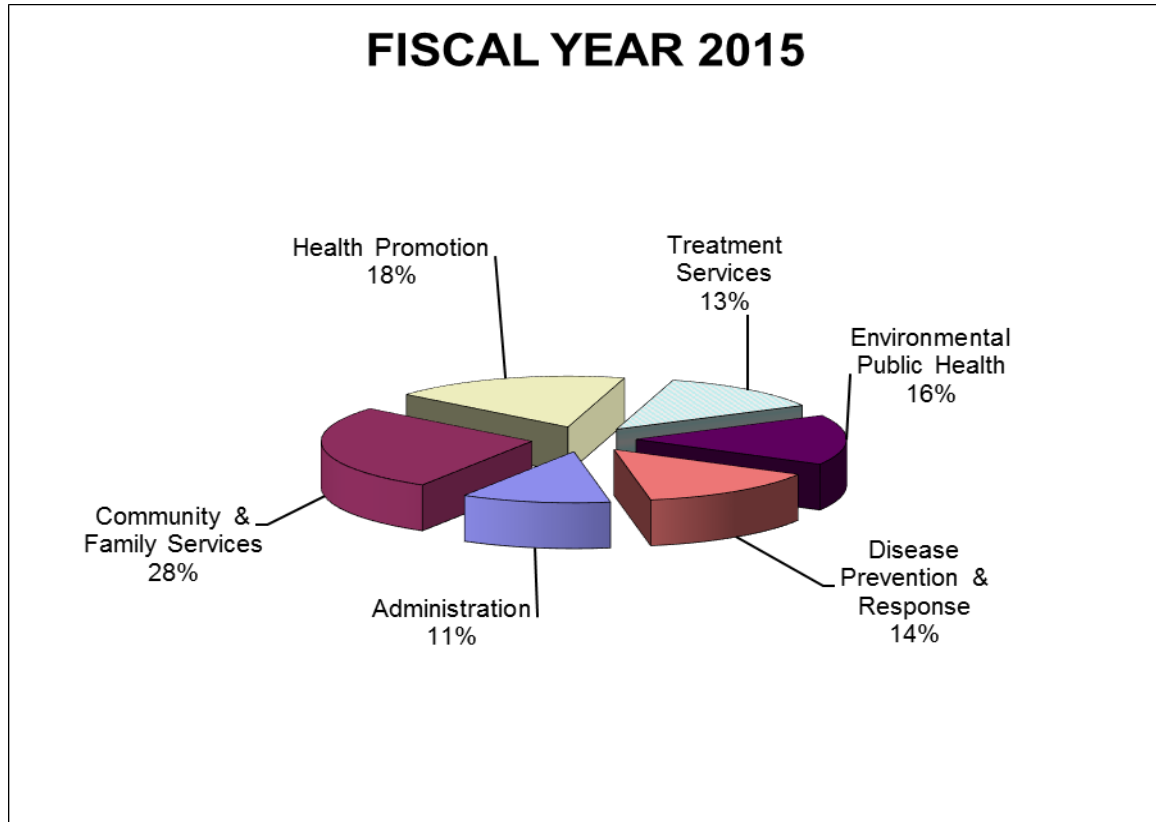


A summary of program expenditures for the year ended December 31, 2015, and the amount and percentage change in relation to prior year amounts is as follows (in thousands):

EXPENDITURES:	2015	2014	Amount Increase (Decrease)	Percent Increase (Decrease)
Current:				
Community & Family Services	\$ 6,645	\$ 5,840	\$ 805	13.8%
Health Promotion	4,433	4,219	214	5.1%
Treatment Services	3,134	2,252	882	39.2%
Environmental Public Health	3,852	3,607	245	6.8%
Disease Prevention & Response	3,421	2,971	450	15.1%
Administration	2,778	1,541	1,237	80.3%
<b>TOTAL EXPENDITURES</b>	<b>\$ 24,263</b>	<b>\$ 20,430</b>	<b>\$ 3,833</b>	<b>18.8%</b>

**Spokane Regional Health District  
Annual Report - Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

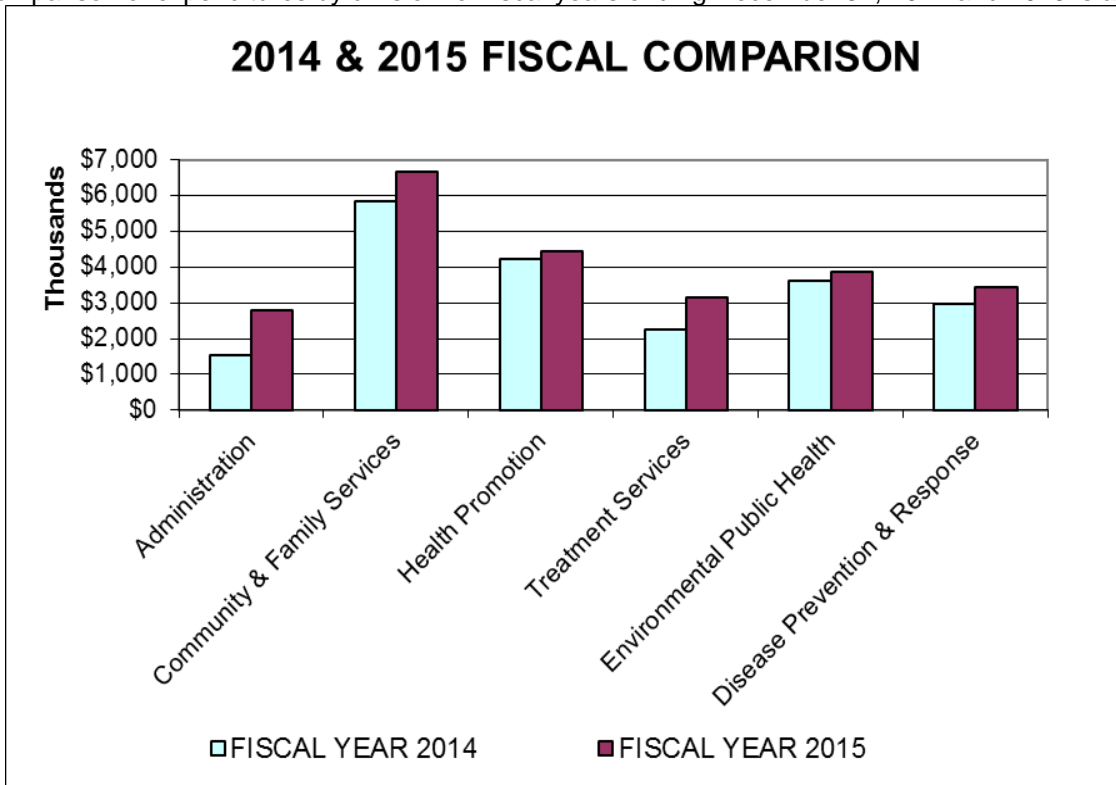
The following chart shows expenditures by division for the fiscal year ended December 31, 2015:





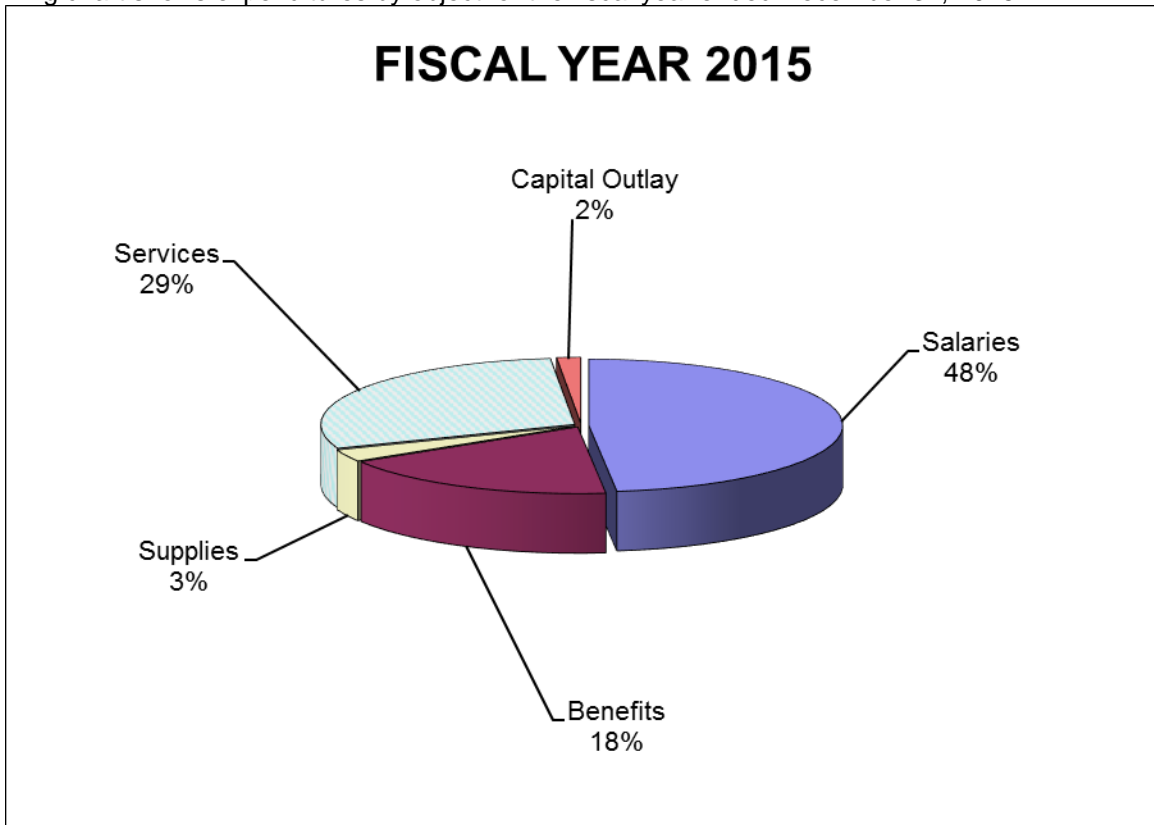
**Spokane Regional Health District  
Annual Report  
For the Fiscal Year Ended December 31, 2015**

A comparison of expenditures by division for fiscal years ending December 31, 2014 and 2015 is as follows:



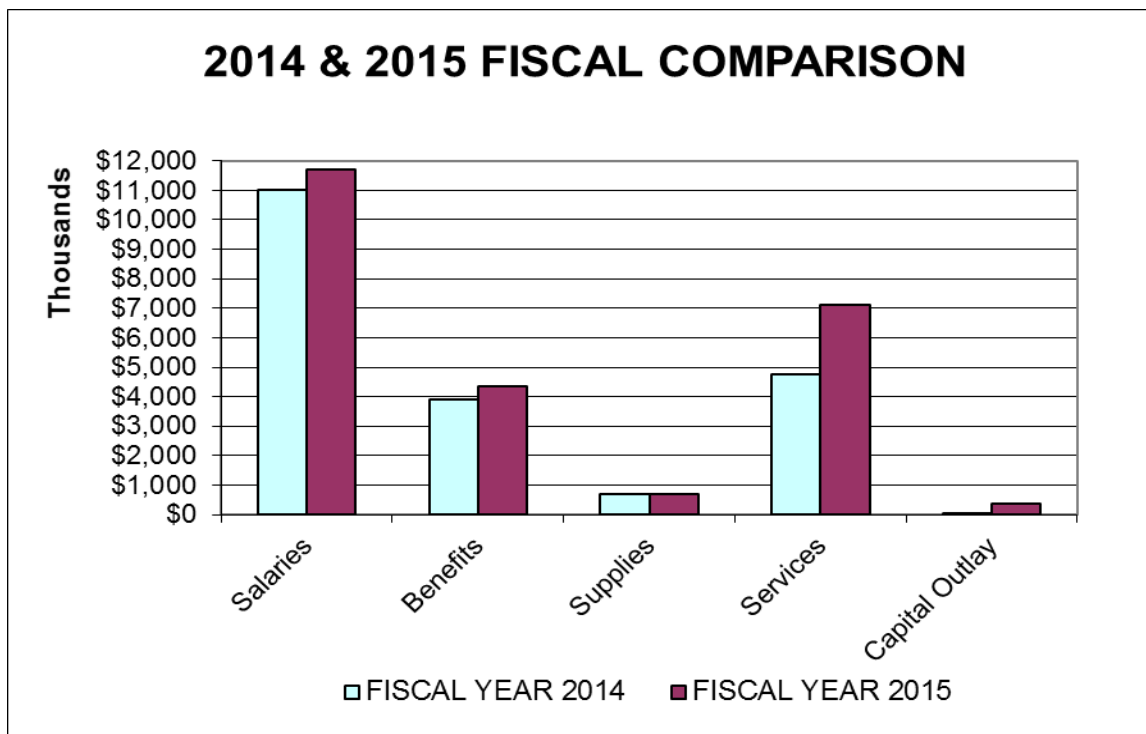
**Spokane Regional Health District  
Annual Report - Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

The following chart shows expenditures by object for the fiscal year ended December 31, 2015:



**Spokane Regional Health District  
Annual Report - Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2015**

A comparison of expenditures by object for fiscal years ending December 31, 2014 and 2015 is as follows:



*Budget Variances in the General Fund*

Annually, the SRHD Board of Health (BOH) adopts SRHD's general fund appropriated budget. All annual appropriations lapse at year-end.

On or about August 15 of each year, all divisions of SRHD submit requests for appropriation to the Health Officer and Administrator so that a preliminary agency budget may be prepared for consideration by the budget subcommittee of the BOH. The budget is prepared by division and program. Budgets may be sent back to the division for modification, reassembled and reviewed again by the budget subcommittee. This process can be repeated several times.

The proposed budget is presented to the entire SRHD BOH for review and adoption. The budget must be adopted by December 31 to comply with state laws.

The Health Officer and Administrator are authorized to transfer budgeted amounts between programs; however, the SRHD BOH must approve any revisions that alter the total expenditures of any division or SRHD in total. The BOH is presented with a resolution to amend the total revenues and appropriations to SRHD's budget on a quarterly basis, when needed.

**Spokane Regional Health District**  
**Annual Report**  
**For the Fiscal Year Ended December 31, 2015**

A condensed summary of SRHD's 2015 original and final budget is presented below along with 2015 actual and a calculated variance with the final budget (in thousands):

	Original Budget	Final Budget	Actual Amounts	Variance Over(Under) Final Budget
General Fund Balance, January 1	\$ 5,685	\$ 5,685	\$ 8,381	\$ 2,696
Resources / Revenues	22,060	23,112	23,943	831
Appropriations / Expenditures	<u>22,441</u>	<u>24,117</u>	<u>24,263</u>	<u>146</u>
General Fund Balance, December 31	<u>\$ 5,304</u>	<u>\$ 4,680</u>	<u>\$ 8,061</u>	<u>\$ 3,381</u>

**Spokane Regional Health District**  
**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 6,746,948
Receivables (net)	2,750,704
Inventories	11,000
Capital Assets not being depreciated:	
Land	400,500
Capital Assets net of accumulated depreciation:	
Buildings & Structures	7,977,915
Leasehold Improvements	1,040,976
Machinery and Equipment	1,274,796
Software	3,796
Total Capital Assets	10,697,983
Total Assets	<b>\$ 20,206,635</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions*	<b>1,092,948</b>
<b>LIABILITIES</b>	
Accounts Payable	803,370
Due To Other Governmental Units	117,188
Accrued Employee Benefits	46,893
Employee Flex Spending Withholding Payable	20,848
Accrued Employee Vacation & Sick	901,035
Net Pension Liability*	9,019,820
Total Liabilities	<b>10,909,154</b>
<b>DEFERRED INFLOWS of RESOURCES</b>	
Advance payments of permit fee	459,410
Deferred Inflows Related to Pensions*	1,742,955
Total Deferred Inflows of Resources	<b>2,202,365</b>
<b>NET POSITION</b>	
Net Investment In capital assets	10,697,983
Unrestricted (Deficit)	(2,509,919)
Total Net Position	<b>\$ 8,188,064</b>

The notes to the financial statements are an integral part of this statement.

\*Implementation of GASB 68/71

**Spokane Regional Health District**  
**Statement of Activities**  
**Year Ended December 31, 2015**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net Revenue (Expense) & Changes In Net Position
			Charges For Services	Capital Grants & Contributions	Operating Grants & Contributions	
Community & Family Services	6,101,791	\$ 432,331	\$ 325	\$ -	\$ 5,621,909	\$ (911,888)
Health Promotion	3,864,594	475,493	5,011	-	3,737,116	(597,961)
Treatment Services	2,797,254	302,269	3,023,913	-	16,139	(59,470)
Environmental Public Health	3,364,881	434,297	2,793,391	-	385,586	(620,200)
Disease Prevention & Response	2,991,309	-	158,782	-	1,707,965	(1,515,346)
Administration	4,420,598	(2,035,174)	441,304	-	374,392	(1,569,729)
<b>Total Functions</b>	<b>\$ 23,540,427</b>	<b>\$ -</b>	<b>\$ 6,422,725</b>	<b>\$ -</b>	<b>\$ 11,843,108</b>	<b>(5,274,594)</b>

<b>General Revenues:</b>	
State Funded Local Government Assistance	2,877,318
County Assessment	2,745,896
Interest	53,697
<b>Total General Revenues</b>	<b>5,676,911</b>
<b>Changes In Net Position</b>	<b>402,316</b>
<b>Net Position - Beginning</b>	<b>9,995,704</b>
<b>Special Item: SRHD bldg transfer from Spokane County</b>	<b>8,459,000</b>
<b>Cumulative Effect of Change in Accounting Principle*</b>	<b>(10,668,957)</b>
<b>Adjusted Net Position - Beginning</b>	<b>7,785,747</b>
<b>Net Position - Ending</b>	<b>\$ 8,188,063</b>

The notes to the financial statements are an integral part of this statement.

\*Implementation of GASB 68/71

**Spokane Regional Health District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2015**

	General Fund
<b>ASSETS and OUTFLOWS of RESOURCES</b>	
Cash & Cash Equivalents	6,707,785
Employee Flex Fund	20,848
Imprest Cash Funds	18,315
Receivables, Net	43,510
Due from Other Governments	2,707,195
Inventories:	
US Postal Fund	11,000
<b>Total Assets and Deferred Outflows of Resources</b>	<b>9,508,652</b>
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	
<b>Liabilities:</b>	
Accrued Employee Benefits	46,893
Accounts Payable	803,370
Due to Other Governments	117,188
Employee Flex Fund	20,848
<b>Total Liabilities</b>	<b>988,299</b>
<b>Deferred Inflows of Resources</b>	<b>459,410</b>
<b>Fund Balances:</b>	
Committed Fund Balance	1,500,000
Unassigned Fund Balance	4,399,237
Assigned Fund Balance	2,161,705
<b>Total Fund Balances</b>	<b>8,060,942</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 9,508,652</b>

The notes to the financial statements are an integral part of this statement.

**Spokane Regional Health District**  
**Reconciliation**  
**Balance Sheet/Statement of Net Position**  
**December 31, 2015**

	General Fund Totals	Long-Term Assets, Liabilities	Statement of Net Position Totals
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 6,707,785		\$ 6,746,948
Employee Flex Fund	20,848		
Imprest Cash Funds	18,315		
Receivables (net)	43,510		2,750,704
Due from Other Governments	2,707,195		
Inventories	11,000		11,000
Capital Assets not being depreciated:			
Land		400,500	400,500
Capital Assets net of accumulated depreciation:			
Buildings & Structures		7,977,915	7,977,915
Leasehold Improvements		1,040,976	1,040,976
Machinery and Equipment		1,274,796	1,274,796
Software		3,796	3,796
Total Capital Assets		10,697,983	10,697,983
<b>Total Assets</b>	<b>9,508,652</b>	<b>10,697,983</b>	<b>20,206,635</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions*		1,092,948	1,092,948
<b>Total Assets &amp; Deferred Outflows</b>	<b>\$ 9,508,652</b>	<b>\$ 11,790,931</b>	<b>\$ 21,299,583</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 803,370		\$ 803,370
Due To Other Governmental Units	117,188		117,188
Accrued Employee Benefits	46,893		46,893
Employee Flex Spending Withholding Payable	20,848		20,848
Accrued Employee Vacation & Sick			901,035
Net Pension Liability*			9,019,820
<b>Total Liabilities</b>	<b>988,299</b>	<b>-</b>	<b>10,909,154</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Advance payments of permit fee	459,410		459,410
Deferred Inflows Related to Pensions*		1,742,955	1,742,955
<b>Total Deferred Inflows of Resources</b>	<b>459,410</b>	<b>1,742,955</b>	<b>2,202,365</b>
<b>FUND BALANCES/NET POSITION</b>			
Total Fund Balances/Net Position	8,060,942	10,047,976	8,188,064
<b>Total Liabilities and Fund Balances/Net Position</b>	<b>\$ 9,508,652</b>	<b>\$ 11,790,931</b>	<b>\$ 21,299,583</b>

The notes to the financial statements are an integral part of this statement.

\*Implementation of GASB 68/71



**Spokane Regional Health District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended December 31, 2015**

	GENERAL FUND
<b>REVENUES</b>	
Licenses and Permits	2,445,890
Federal Grants	6,950,677
State Grants	4,826,224
Intergovernmental Revenues	2,877,318
Interlocal Grants, Entitlements, Impact Payments	2,745,896
Charges For Goods And Services	3,971,968
Miscellaneous	124,772
<b>Total Revenues</b>	<b>23,942,744</b>
<b>EXPENDITURES</b>	
Current:	
Administration	2,428,321
Community and Family Services	6,644,969.53
Health Promotion	4,433,254
Treatment Services	3,111,982
Environmental Public Health	3,852,016
Disease Prevention and Response	3,420,840
Capital Outlay	371,205
<b>Total Expenditures</b>	<b>24,262,588</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(319,845)</b>
<b>Net Change in Fund Balance</b>	<b>(319,845)</b>
<b>Fund Balance - Beginning</b>	<b>8,380,787</b>
<b>Fund Balance - Ending</b>	<b>8,060,942</b>

Reconciliation of amounts reported on this statement and government wide statement of activities:	
Net change in fund balance	(319,845)
Purchase of capital assets expensed on fund statements which are capitalized on government-wide statements	371,205
Accrued leave expensed on government-wide statements	(245,940)
Depreciation expensed on government-wide statements	(402,234)
Pension Expense*	999,130
Change in net position - governmental-wide statement of net activities	\$ 402,316

The notes to financial statements are an integral part of this statement

\*Implementation of GASB 68/71

# **Spokane Regional Health District**

## **Notes to Financial Statements**

### **January 1, 2015 to December 31, 2015**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of The Spokane Regional Health District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

##### **A. Reporting Entity**

The Spokane Regional Health District was incorporated on January 1970 and operates under the laws of the state of Washington applicable to a Special Purpose District. The Health District is a special purpose government entity that provides public health services to the entire County, both incorporated and un-incorporated areas. The Spokane Regional Health District Board, which governs the District, is composed of three county commissioners, three Spokane City council members, two City of Spokane Valley council members, one representative from the legislative body of a smaller incorporated city within the County, and three citizens of Spokane County. The District's financial statements include the financial position and results of operations of the sole general fund controlled by the District.

##### **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 of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to 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. Interest and general government revenue not properly included among program revenues are reported instead 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 as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Licenses and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the district.

The general fund is the district's sole operating fund. It accounts for all financial resources of the general government.

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

**D. Budgetary Information**

1. Scope of Budget

Annual appropriated budgets are adopted for the general fund on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in the fund ledger for the general fund.

Annual appropriated budgets are adopted at the division level of the general fund. Expenditures may not exceed appropriations at the division level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

2. Procedures for Adopting the Original Budget

The District budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at year end.

On or about August 15 of each year, all divisions of the Health District submit requests for appropriation to the Health Officer and Administrator so that a preliminary agency budget may be prepared for consideration by the budget subcommittee of the Board. The budget is prepared by division and program. Budgets may be sent back to the division for modification, reassembled and reviewed again by the budget subcommittee. This process can be repeated several times.

The proposed budget is presented to the entire District Board of Health for review and adoption. The budget must be adopted by December 31 to comply with state laws.

3. Amending the Budget

The Health Officer and Administrator are authorized to transfer budgeted amounts between programs; however, any revisions that alter the total expenditures of any division or the total District must be approved by the Board of Health. The Board of Health is presented with a resolution to amend the total revenues and appropriations to the District's budget on a quarterly basis, when needed.

Material budget amendments for 2015 are as follows:

	<u>Revenue Increase</u>	<u>Expense Increase</u>
Resolution 15-03	\$ 1,675,715	\$ 1,675,715

4. Excess of Expenditures Over Appropriations

The District's 2015 revised budget of \$24,116,523 included a fund balance decrease of \$1,004,703. The District's actual expenses of \$24,262,588 and actual revenues of \$23,942,744 resulted in a \$319,845 actual fund balance decrease; a \$684,859 savings to fund balance. Three divisions exceeded their individual budget levels. The pass-through admin match activities for 2014 and 2015 were reflected in 2015 expenditures and revenues and the school district grant increased in both student counts and amount per student for 2015.

**E. Assets, Liabilities and Equities**

1. Cash and Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2015, the treasurer was holding \$6,728,633 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents and employee flex fund. The interest on these investments is credited to the general fund. Of this amount, however, \$369,981 is unearned 2016 permit revenue for the Environmental Public Health Division and \$89,429 represents grants paid in advance for several projects that are ongoing until the full award has been spent. For purposes of these statements, the District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

2. Receivables

The Health District provides client services that are provided on a fee for service basis. The receivable for client accounts has been recorded in the District's financial statements net of the estimated uncollectible amounts. Estimated uncollectible receivable for client accounts at December 31, 2015 was \$8,153.

3. Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, and charges for services. The Spokane County assessment is negotiated with the County Commissioners each year.

4. Capital Assets and Depreciation (Capital Assets and Depreciation Note No.5)

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The district defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least one year. Such 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.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Capital assets of the district are depreciated using the straight line method over the following estimated useful lives:

Building and Structures	50 years
Improvements	25 years
Furniture	10/15 years
Operating equipment	7 years
Automotive equipment	5 years
Electronic equipment	3 years

5. Investments See (Deposits and Investments Note No. 4)

6. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. All vacation and sick pay is accrued when incurred in the government-wide and fund financial statements.

Vacation pay, which may be accumulated up to the maximum amount of 240 hours, is payable upon resignation, retirement or death.

Sick pay, may be paid out annually, with limitations. Only the balance of sick leave in excess of 480 hours is subject to payoff. Only sick leave earned during the previous calendar year, less any hours actually taken as sick leave during the same year, is subject to payoff. The rate of payoff is 25% of the employee's base rate of pay during the last month of the previous calendar year. All hours paid off will be deducted from the employee's balance of sick leave eligibility. At resignation or layoff from the District, employees with seven (7) years of service or more will be paid for their sick accruals at 25% of their base rate of pay during the last month of employment.

7. Fund Balance

Commitments represent formal actions taken by the Board of Health to commit funds for specific purposes. Funds that have been committed cannot be used for another purpose unless the Board of Health passes a

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2015 to December 31, 2015

resolution to end the commitment. The committed fund balance is Board directed for public health emergency response. The assigned fund balance is management's intention to use the funds for a specific purpose in the future. The assigned fund balance includes funds for local capacity development, building improvements, replacement of vehicles, as well as for software/system upgrades and strategic planning.

#### 8. Reporting Changes

Statement No. 68 Accounting and Financial Reporting for Pensions was implemented for the year ended December 31, 2015. GASB Statement No. 68 requires entities who participate in a cost-sharing benefit plan to recognize pension liabilities, expenses, deferred outflows of resources and deferred inflows of resources. The amounts to be recorded represent an allocation of balances which exist on the records of the pension plan itself. Restatement in accordance with GASB Statement No. 68 resulted in a reduction to Beginning Net Position in the amount of \$10,668,957 due to the cumulative effect of a change in accounting principal.

Statement No. 71 Pension Transition for contributions Made Subsequent to the Measurement Date was implemented for the year ended December 31, 2015. GASB Statement No. 71 amends GASB Statement No. 68 to require entities to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

## 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 reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. Elements of that reconciliation include:

- Capital assets used in governmental activities which are not financial resources as reported in the funds (in thousands):

	Cost	Accum. Depr	Net
Land	\$ 401		\$ 401
Buildings and Structures	8,059	81	7,978
Leasehold Improvements	\$ 1,657	\$ 616	\$ 1,041
General Fixed Assets	3,960	2,686	1,274
Software	78	75	3
Total	<u>\$ 14,155</u>	<u>\$ 3,458</u>	<u>\$ 10,697</u>

On 6/22/15, Spokane County transferred ownership of the building where the District is located at 1101 W. College Ave, Spokane, WA 99201 to the Spokane Regional Health District. The value of the land and building at the time of transfer were \$400,500 and \$8,058,500, respectively. No cash was exchanged at the time of the transfer.

- Liabilities not payable in the current period and therefore not reported in the funds (in thousands):

	Amount
Accrued Leave	\$ 901
Total	<u>\$ 901</u>

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

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

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Elements from that reconciliation include:

- Purchase of capital assets expensed on fund statements which are capitalized on government-wide statements (in thousands):

	<u>Amount</u>
Operating Equipment	\$ 361,569
Software	0
Leasehold Improvements	<u>9,636</u>
Total	<u>\$ 371,205</u>

- Special Item

On 6/22/15, Spokane County transferred ownership of the building where the District is located at 1101 W. College Ave, Spokane, WA 99201 to the Spokane Regional Health District.

- Accrued leave expensed on government-wide statements (in thousands):

	<u>Amount</u>
Administration	\$ 69
Community & Family Services	\$ 12
Health Promotion	\$ 27
Treatment Services	\$ 26
Environmental Public Health	\$ 68
Disease Prevention & Response	<u>\$ 44</u>
Total	<u>\$ 246</u>

- Depreciation expensed on government-wide statements (in thousands):

	<u>Amount</u>
Administration	\$ 86
Community & Family Services	53
Health Promotion	61
Treatment Services	71
Environmental Public Health	64
Disease Prevention & Response	<u>67</u>
Total	<u>\$ 402</u>

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The District's cash deposits are held by Spokane County and are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As required by state law, all investments of the District's funds are obligations of the U.S. Government or the State Treasurer's Investment Pool.

All temporary investments are stated at cost and classified as cash and equivalents in the financial statements. The District has no investments at year-end and is not subject to custodial credit risk.

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

**A. General Policies**

Major expenditures greater than \$5,000 in individual value for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred. All capital assets are valued at historical cost.

The District has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the District has sufficient legal interest to accomplish the purposes for which the assets were acquired, and has included these with capital assets.

**B.**

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

**C. Capital Asset Activity**

Capital assets activity for the year ended December 31, 2015 was as follows:

	Beginning Balance 1/01/15	Increases	Decreases	Ending Balance 12/31/15
Governmental Activities				
Capital assets not depreciated:				
Land		\$ 400,500		\$ 400,500
Capital assets being depreciated:				
Building and Structures	\$ -	\$ 8,058,500	\$ -	\$ 8,058,500
Operating Equipment	2,653,995	217,629	-	2,871,624
Computer Equipment	849,196	143,940	-	993,136
Vehicles	79,353	-	-	79,353
Furniture	15,651	-	-	15,651
Software	78,275	-	-	78,275
Leasehold Improvements	1,646,916	9,636	-	1,656,552
<b>Total Capital Assets</b>	<b>\$ 5,323,386</b>	<b>\$ 8,830,205</b>	<b>\$ -</b>	<b>\$ 14,153,591</b>
Less Accumulated Depreciation:				
Building and Structures	\$ -	\$ 80,585	\$ -	\$ 80,585
Operating Equipment	1,408,991	213,219	-	1,622,210
Computer Equipment	917,771	39,215	-	956,986
Vehicles	84,289	-	-	84,289
Furniture	20,975	507	-	21,482
Software	71,807	2,673	-	74,480
Leasehold Improvements	549,542	66,035	-	615,577
<b>Total Accumulated Depreciation</b>	<b>\$ 3,053,375</b>	<b>\$ 402,234</b>	<b>\$ -</b>	<b>\$ 3,455,609</b>
<b>Net Capital Assets</b>	<b>\$ 2,270,011</b>	<b>\$ 8,427,971</b>	<b>\$ -</b>	<b>\$ 10,697,982</b>

**D. Depreciation**

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Administration	\$ 86,788
Community & Family Services	52,676
Health Promotion	61,060
Treatment Services	70,784
Environmental Public Health	63,634
Disease Prevention & Response	67,292
<b>Total</b>	<b>\$ 402,234</b>



**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

**NOTE 6 – LONG TERM DEBT**

**A. Operating Leases**

The District leases one color copier under noncancellable operating leases. Total cost for the lease was \$4,611 for the year ended December 31, 2015. The 60 month lease is through a purchasing cooperative agreement through the State of Washington. The lease maintenance fees are based on the usage with no minimum fee.

Year	Lease Payments
2015	4,611.44
2016	6,917.16
2017	6,917.16
2018	6,917.16
2019	6,917.16
2020	2,305.72

**NOTE 7 – PENSION PLANS**

Substantially all *District* full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension Assets	\$ -
Deferred Outflows of Resources	\$ 1,092,948
Pension Liabilities	\$ 9,019,820
Deferred Inflows of Resources	\$ 1,742,955
Pension Expense	\$ 173,042

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2015 to December 31, 2015

- **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

*Contributions* - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The *District's* actual contributions to the plan were \$ 516,937 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2015 to December 31, 2015

after completing five years of eligible service. 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 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

*Contributions* - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	Employer 2/3	Employee 2*	Employee 3
January through June 2015	9.21%	4.92%	varies
July through December 2015	11.18%	6.12%	varies

The *District's* actual contributions to the plan were \$ 655,235 for the year ended December 31, 2015.

#### • **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2015 to December 31, 2015

- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

- **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

- **Long-Term Expected Rate of Return**

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

- **Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

### Sensitivity of NPL

The table below presents the *District's* proportionate share\* of the net pension liability calculated using the discount rate of 7.5%, as well as what the *District's* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

Pension Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 5,930,094	\$ 4,870,703	\$ 3,959,724
PERS 2/3	\$ 12,132,233	\$ 4,149,117	\$ (1,963,256)

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.**

At June 30, 2015, the *District* reported a total pension liability of \$ 9,019,820 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Liability or (Asset)
PERS 1	\$ 4,870,703
PERS 2/3	\$ 4,149,117

At June 30, the *District's* proportionate share of the collective net pension liabilities was as follows:

Pension Plan	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.103000 %	0.093114 %	(0.009887)%
PERS 2/3	0.127586 %	0.116122 %	(0.011464)%

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF Plan 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

• **Pension Expense**

For the year ended December 31, 2015, the *District* recognized pension expense as follows:

<b>Pension Plan</b>	<b>Pension Expense</b>
PERS 1	\$ (252,851)
PERS 2/3	\$ 425,893
TOTAL	\$ 173,042

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2015, the *District* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (266,481)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 287,619	\$ -
<b>TOTAL</b>	<b>\$ 287,619</b>	<b>\$ (266,481)</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 441,052	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (1,107,618)
Changes of assumptions	\$ 6,685	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ (368,856)
Contributions subsequent to the measurement date	\$ 357,591	\$ -
<b>TOTAL</b>	<b>\$ 805,329</b>	<b>\$ (1,476,474)</b>

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

Deferred Outflows totaling \$1,092,948 related to pensions resulting from the *District's* contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Amortization of Other Deferred Outflows and Inflows</b>		
<b>Year</b>	<b>PERS1</b>	<b>PERS2/3</b>
2016	(103,279)	(529,275)
2017	(103,279)	(529,275)
2018	(103,279)	(529,277)
2019	43,356	338,235
2020	-	-
Thereafter	-	-
<b>Total (DI)/DO</b>	<b>(266,481)</b>	<b>(1,249,593)</b>

**NOTE 8 - RISK MANAGEMENT**

Spokane Regional 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, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a 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 a property loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is 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, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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



**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2015 to December 31, 2015**

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.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

**NOTE 9 - CONTINGENCIES AND LITIGATIONS**

The Health District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the Health District will have to make payment. In the opinion of management, the Health District's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

The Health District participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Health District management believes that such disallowances, if any, will be immaterial.

**NOTE 10 - RECEIVABLE AND PAYABLE BALANCES**

**A. Receivables**

	Amount
Client Service Accounts	\$ 815,292
Other Accounts	43,510
Due From Other Governments	1,891,903
Total	<u>\$ 2,750,705</u>

**B. Payables**

	Amount
Vendors	\$ 803,370
Salaries & Benefits	67,741
Due to Other Governments	117,188
Total	<u>\$ 988,299</u>



**REQUIRED SUPPLEMENTARY INFORMATION**  
**Spokane Regional Health District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2015**

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Licenses and Permits	2,220,867	2,220,867	2,445,890	225,023
Federal Grants	6,353,362	7,118,275	6,950,677	(167,598)
State Grants	1,790,784	3,615,460	4,826,224	1,210,764
Intergovernmental Revenues	2,101,429	2,850,121	2,877,318	27,197
Interlocal Grants, Entitlements, Impact Payments	2,543,307	2,543,307	2,745,896	202,589
Charges For Goods And Services	6,917,619	4,541,720	3,971,968	(569,752)
Miscellaneous	133,380	221,990	124,772	(97,218)
<b>Total Revenues</b>	<b>22,060,748</b>	<b>23,111,740</b>	<b>23,942,744</b>	<b>831,004</b>
<b>EXPENDITURES</b>				
Current:				
Administration	2,841,637	2,900,275	2,428,321	(471,954)
Community and Family Services	5,807,812	5,828,845	6,644,970	816,125
Health Promotion	4,162,908	4,747,766	4,433,254	(314,512)
Treatment Services	3,173,375	3,353,526	3,111,982	(241,544)
Environmental Public Health	3,794,502	3,682,665	3,852,016	169,351
Disease Prevention and Response	2,660,575	3,603,446	3,420,840	(182,606)
Capital Outlay	-	-	371,205	371,205
<b>Total Expenditures</b>	<b>22,440,809</b>	<b>24,116,523</b>	<b>24,262,588</b>	<b>146,065</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(380,061)</b>	<b>(1,004,783)</b>	<b>(319,845)</b>	<b>684,938</b>
<b>Net Change in Fund Balance</b>	<b>(380,061)</b>	<b>(1,004,783)</b>	<b>(319,845)</b>	<b>684,938</b>
<b>Fund Balance - Beginning</b>	<b>5,684,720</b>	<b>5,684,720</b>	<b>8,380,787</b>	<b>2,696,067</b>
<b>Fund Balance - Ending</b>	<b>5,304,659</b>	<b>4,679,937</b>	<b>8,060,942</b>	<b>3,381,005</b>

The notes to financial statements are an integral part of this statement

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Spokane Regional Health District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**

Measurement Date: June 30, 2015

**PERS 1**

SRHD's Proportion of the Net Pension Liability		.093114%
SRHD's Proportionate Share of the Net Pension Liability	\$	4,870,703
SRHD's Covered-Employee Payroll	\$	11,489,345
SRHD's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		42.39%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability		54.00%

**PERS 2/3**

SRHD's Proportion of the Net Pension Liability		.116122%
SRHD's Proportionate Share of the Net Pension Liability	\$	4,149,117
SRHD's Covered-Employee Payroll	\$	11,489,345
SRHD's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll		36.11%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability		46.00%

GASB 68 was implemented for the fiscal year ended December 31, 2015.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Spokane Regional Health District**  
**Schedule of District Contributions**

Measurement Date: December 31, 2015

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**PERS 1**

Actuarially/statutorily/contractually determined contribution	\$	516,937
Actual contribution in relation to the above	\$	516,937
Contribution deficiency (excess)	\$	-
Covered employee payroll	\$	11,489,345
Contributions as a % of covered-employee payroll		4.50%

**PERS 2/3**

Actuarially/statutorily/contractually determined contribution	\$	655,235
Actual contribution in relation to the above	\$	655,235
Contribution deficiency (excess)	\$	-
Covered employee payroll	\$	11,489,345
Contributions as a % of covered-employee payroll		5.70%

GASB 68 was implemented for the fiscal year ended December 31, 2015.

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17127	2,241,792	-	2,241,792	
<b>SNAP Cluster</b>							
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C17127	499,761	-	499,761	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17127	1,530	-	1,530	
	<b>Total SNAP Cluster:</b>			<b>499,761</b>	-	<b>499,761</b>	
<b>Highway Planning and Construction Cluster</b>							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP 9937(006)	99,263	-	99,263	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	CM 9937(007)	56,078	-	56,078	
Office Of Special Education And Rehabilitative Services, Department Of Education (via Washington State Department of Early Learning)	Special Education-Grants for Infants and Families	84.181	161031-01	423,493	-	423,493	
Office Of The Secretary, Department Of Health And Human Services (via NACCHO)	Medical Reserve Corps Small Grant Program	93.008	MRC 14-0173	3,500	-	3,500	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17127	465,640	-	465,640	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	C17127	63,411	-	63,411	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Sodium Reduction in Communities	93.082	C17127	144,535	-	144,535	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington State University)	Substance Abuse and Mental Health Services, Projects of Regional and National Significance	93.243	119528 G003138	35,091	-	35,091	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17127	114,008	-	114,008	
<b>Total Highway Planning and Construction Cluster:</b>				<b>155,341</b>	-	<b>155,341</b>	

The accompanying notes are an integral part of this schedule.

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	187000	169,774	-	169,774	
			<b>Total CFDA 93.268:</b>	<b>283,782</b>	-	<b>283,782</b>	
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	C17127	10,832	-	10,832	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	National Public Health Improvement Initiative	93.292	C17127	13,437	-	13,437	
Office Of The Secretary, Department Of Health And Human Services (via Planned Parenthood)	Teenage Pregnancy Prevention Program	93.297	TP1AH000135-01-00	25,000	-	25,000	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	National State Based Tobacco Control Programs	93.305	C17127	25,000	-	25,000	
Health Resources And Services Administration, Department Of Health And Human Services (via State of Idaho Department of Health and Welfare)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	HC752400	8,900	-	8,900	
Health Resources And Services Administration, Department Of Health And Human Services (via Community-Minded Enterprises)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	N/A	12,564	-	12,564	
Health Resources And Services Administration, Department Of Health And Human Services (via Thrive by Five)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	N/A	721,817	-	721,817	
			<b>Total CFDA 93.505:</b>	<b>743,280</b>	-	<b>743,280</b>	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	C17127	256,294	-	256,294	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Better Health Together)	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	N/A	125,183	-	125,183	
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 funded solely with Prevention and Public Health Funds (PPHF)	93.758	C17127	129,244	-	129,244	
<b>Medicaid Cluster</b>							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K775	22,062	-	22,062	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K1419	556,317	-	556,317	225,023
			<b>Total Medicaid Cluster:</b>	<b>578,379</b>	-	<b>578,379</b>	<b>225,023</b>
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Organized Approaches to Increase Colorectal Cancer Screening	93.800	C17127	5,234	-	5,234	

The accompanying notes are an integral part of this schedule.

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.815	C17127	1,317	-	1,317
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).					
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	93.817	C17127	23,442	-	23,442
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities					
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	93.889	C17127	300,243	-	300,243
National Bioterrorism Hospital Preparedness Program					
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	93.917	C17127	46,719	-	46,719
HIV Care Formula Grants					4
Health Resources And Services Administration, Department Of Health And Human Services (via CHAS)	93.917	N/A	6,667	-	6,667
HIV Care Formula Grants					
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.940	<b>Total CFDA 93.917:</b>	<b>53,385</b>	-	<b>53,385</b>
HIV Prevention Activities_Health Department Based		C17127	106,852	-	106,852
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Spokane County)	93.959	15SA1761	16,139	-	16,139
Block Grants for Prevention and Treatment of Substance Abuse					4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	93.977	C17127	30,000	-	30,000
Preventive Health Services_Sexually Transmitted Diseases Control Grants					
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	93.994	C17127	359,313	-	359,313
Maternal and Child Health Services Block Grant to the States					
<b>Total Federal Awards Expended:</b>			<b>7,120,450</b>	-	<b>7,120,450</b>
					<b>225,023</b>

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**January 1, 2015 - December 31, 2015**

**NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the Spokane Regional Health District's financial statements. The district uses the modified accrual basis of accounting.

**NOTE 2 - PROGRAM COSTS**

The amount shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the district's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – NON CASH AWARDS - VACCINATIONS**

The amount of vaccine reported on the schedule is the value of vaccine received by the District during current year and priced as prescribed by the State of Washington Department of Health immunization program.

**NOTE 4 - FEDERAL FEE FOR SERVICE REVENUE**

The district received revenue from the state for the Title XIX and Medicare services provided to eligible clients in the amount of \$ 2,516,074. This is not documented on the federal schedule, as this is a fee for service revenue only.

## 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.

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