



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Northeast Tri County Health District
Stevens County

For the period January 1, 2016 through December 31, 2016

Published February 20, 2018

Report No. 1020671





Office of the Washington State Auditor
Pat McCarthy

February 20, 2018

Board of Health
Northeast Tri County Health District
Colville, Washington

Report on Financial Statements

Please find attached our report on the Northeast Tri County Health District's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy
State Auditor
Olympia, WA

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**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**

**Northeast Tri County Health District
Stevens County
January 1, 2016 through December 31, 2016**

Board of Health
Northeast Tri County Health District
Colville, 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 Northeast Tri County Health District, Stevens County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 5, 2018.

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.

In addition, we noted certain matters that we have reported to the management of the District in a separate letter dated February 9, 2018.

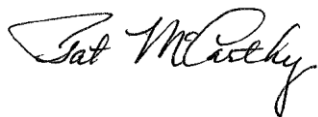
COMPLIANCE AND OTHER MATTERS

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.



Pat McCarthy

State Auditor

Olympia, WA

January 5, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Northeast Tri County Health District Stevens County January 1, 2016 through December 31, 2016

Board of Health
Northeast Tri County Health District
Colville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northeast Tri County Health District, Stevens County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

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 Northeast Tri County Health District, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018 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.



Pat McCarthy

State Auditor

Olympia, WA

January 5, 2018

FINANCIAL SECTION

Northeast Tri County Health District January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2016

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2016

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northeast Tri County Health District presents this narrative overview and analysis (MD & A) of the financial performance for the fiscal year ended December 31, 2016. We encourage the use of this discussion and analysis in conjunction with statements and supplemental schedules included in this report.

FINANCIAL HIGHLIGHTS

- The District's net position had a decrease of \$11,714 for a total of \$17,998. This is the second year under the application of GASB Statement 68 and the recognition of a net pension liability of \$1,095,944. According to the Governmental Accounting Standards Board, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pension with regard to providing decision-useful information, supporting assessment of accountability, and creating additional transparency.
- The original budget was adopted at \$2,209,500 with one budget amendment during the year for \$63,000 for a total budget of \$2,272,500. The adopted budget included using \$248,720 of the fund balance.
- Revenue was over budgeted resources by \$4,999 with expenditures under appropriations by \$250,372. The result was a net increase of the fund balance by \$6,651.
- The Family Planning program was terminated near the end of 2016 after 39 years. The decision came after much debate and public input. Several factors contributed in the decision, but the highlights were the changing role of health care with the Affordable Health Care Act, the direction of Public Health, and the inability to be a self-supporting program.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements describe the financing in the short term as well as what remains for future spending. Other schedules and notes of financial statements provide overview and detail in specific areas.

The Statement of Net Position and the Statement of Activities

The analysis of the Statement of Net Position and the Statement of Activities reports information about the District as a whole and about its activities in a way that demonstrates if the District finances are better or worse as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

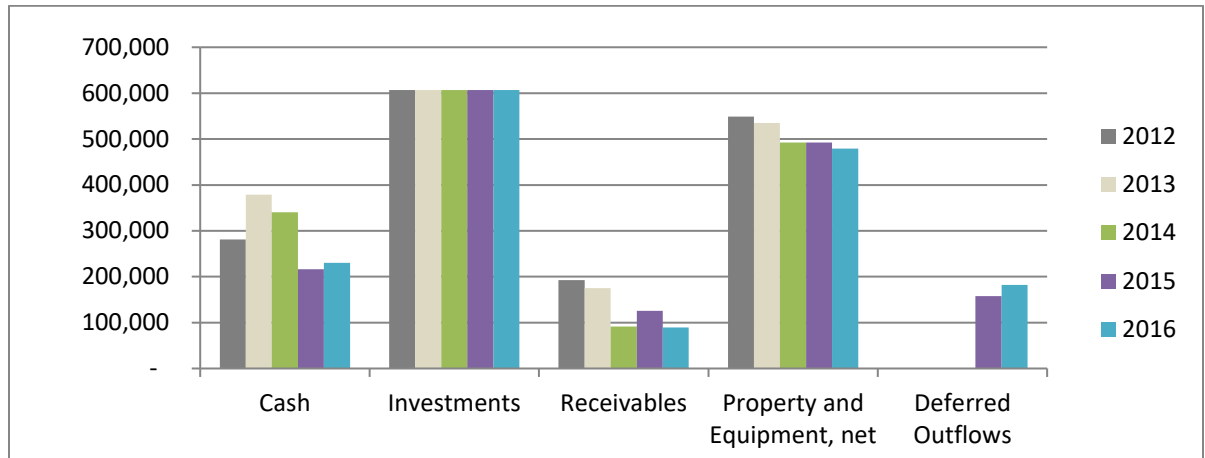
The District's basic services are reported in governmental funds, which focus on how money flows and the balances left at year-end that are available for spending. These funds are reported using an accounting method called a modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

CONDENSED COMPARATIVE FINANCIAL DATA

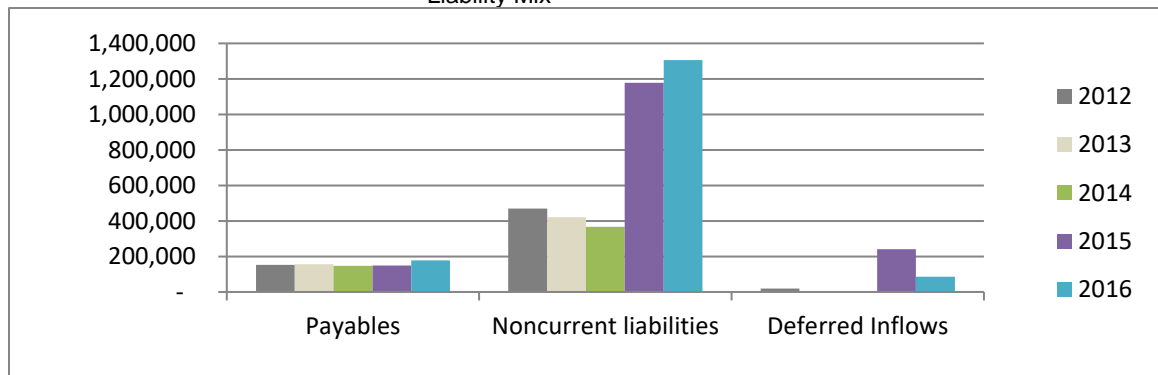
The District has not been able to generate any substantial new revenue. State funds have been dwindling along with local county funds held level for three years after reductions that started five year ago. The District is seven years through a ten-year capital lease agreement, and capital assets remained virtually unchanged with the buying of one used vehicle and selling of two vehicles that were fully depreciated. The unrestricted portion of net position (that can be used to finance the day-to-day operations) increased by \$1,499. The unrestricted portion of net position is still negative at \$460,951 from the result of reporting change in pensions. The net pension liability is reported at \$1,095,944.

Net Position of Governmental Activities				
	Governmental Activities		Positive (Negative)	% Change
	2016	2015		
Current and other assets	\$ 926,324	\$ 948,213	(21,889)	-2.31%
Capital Assets	\$ 478,949	\$ 492,162	(13,213)	-2.68%
Total assets	\$ 1,405,273	\$ 1,440,375	(35,102)	-2.44%
Deferred Outflows of Resources	\$ 182,132	\$ 157,569	24,563	15.59%
Current liabilities	\$ 177,977	\$ 149,311	(28,666)	-19.20%
Long-term liabilities	\$ 1,305,961	\$ 1,177,930	(128,031)	-10.87%
Total Liabilities	\$ 1,483,938	\$ 1,327,241	(156,697)	-11.81%
Deferred Inflows of Resources	\$ 85,469	\$ 240,991	155,522	64.53%
Net Position:				
Net Investment in Capital Assets	\$ 478,949	\$ 492,162	(13,213)	-2.68%
Unrestricted	\$ (460,951)	\$ (462,450)	1,499	-0.32%
Total net position	\$ 17,998	\$ 29,712	(11,714)	-39.43%

Asset Mix



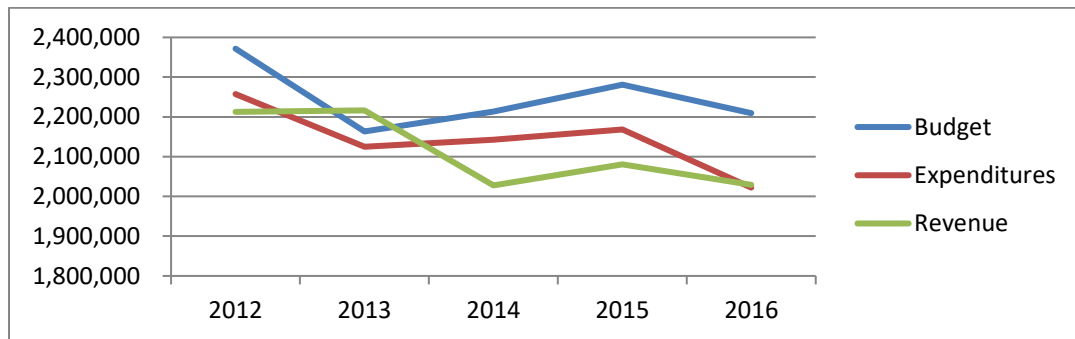
Liability Mix



Changes in Net Position

	Governmental Activities		Variance Positive (Negative)	% Change
	2016	2015		
Revenues				
Charges for Services	\$ 391,078	\$ 380,771	10,307	2.71%
Operating Grants & Contributions	\$ 583,821	\$ 642,912	(59,091)	-9.19%
General Revenues	\$ 1,053,880	\$ 1,057,480	(3,600)	-0.34%
Total Revenues	\$ 2,028,779	\$ 2,081,163	(52,384)	-2.52%
Program Expenses				
Public Health	\$ 2,037,404	\$ 2,098,469	61,065	2.91%
Total Expenses	\$ 2,037,404	\$ 2,098,469	61,065	2.91%
Change in Net Position	\$ (8,625)	(17,306)	8,681	-50.16%
Total Net Position, January 1	\$ 29,712	\$ 1,015,584	(985,872)	-97.07%
Pension - GASB 68	\$ (3,089)	\$ (968,566)	(971,655)	100.32%
Total Net Position, December 31	\$ 17,998	\$ 29,712	(11,714)	-39.43%

Budget/Expenditure/Revenue Comparison



OVERALL ANALYSIS OF FINANCIAL POSTION AND RESULTS OF OPERATION

The District's overall financial position has improved this fiscal year. The District is still operating at a limited number of staff. Any further reductions may result of not being responsive to the general public. With this in mind, the management and budget committee negotiated amongst themselves to use fund balance to maintain current staffing level while a more permanent funding situation for public health is pursued with the state legislature and other community entities.

Board of Health members continue to analyze programs that are not self-supporting. 2017 will see other programs terminated for the lack of funding with limited staff.

FUND ANALYSIS

The governmental fund reported a balance of \$805,553 which is \$6,651 increase from 2015.

BUDGET VARIANCES IN THE GENERAL FUND

Sewage permit fees rebounded more than expected by \$63,441, and the addition of a \$76,000 grant for Youth Marijuana and Tobacco program off set other lost revenue. The net result was a positive \$4,999.

There were seven staffing position changes during the year which provided the opportunity to review and terminate two positions. Some positions will not be filled until 2017. Salaries and benefits provided over 82% of saving in expenditures and influenced other line items. The result was a \$250,372 saving in disbursements.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

The following table shows the results of depreciation and vehicle purchase and selling.

	Capital Assets at Year-End (net of depreciation)		Variance Positive (Negative)	% Change
	Governmental Activities			
	<u>2016</u>	<u>2015</u>		
Land	\$ 139,985	\$ 139,985	\$ -	0.00%
Building	\$ 262,347	\$ 278,348	\$ (16,001)	-5.75%
Vehicles and equipment	\$ 76,617	\$ 73,829	\$ 2,788	3.78%
Totals	<u>\$ 478,949</u>	<u>\$ 492,162</u>	<u>\$ (13,213)</u>	<u>-2.68%</u>

Debt

The District is seven years into a ten-year capital lease for the office building in Newport. An option to purchase said property at any time during the first ten years has not been exercised at this time. The monthly payments are \$4,417.50 with the lease obligation at \$175,634.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. The financial statements are audited on an annual basis by the Washington State Auditor's Office in accordance with Uniform Guidance 2 CFR Part 200. Upon completion of the audit and issuance of the audit report, the report will be available by contacting the District or through Washington State Auditor's Office. Other questions or additional financial information should be addressed to:

Northeast Tri County Health District
240 E. Dominion Ave.
Colville, WA 99114
(509) 684-1301

STATEMENT OF NET POSITION

Northeast Tri County Health District

December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 230,300
Investments	\$606,636
Receivables (Net)	\$89,388
Capital assets not being depreciated:	
Land	\$139,985
Capital assets net of accumulated depreciation:	
Buildings	\$262,347
Vehicles and equipment	\$76,617
Total capital assets	<u>\$478,949</u>
Total assets	<u><u>\$1,405,273</u></u>
 TOTAL DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows of Resources Related to Pensions	<u>\$182,132</u>
 Total Assets and Deferred Outflows of Resources	<u><u>\$1,587,405</u></u>
 LIABILITIES	
Accounts payable	\$120,771
Non-current liabilities:	
Due within one year - capital lease	\$57,206
Due in more than one year - capital lease	\$118,069
Compensated absences	\$91,948
Net Pension Liability - GASB 68	<u>\$1,095,944</u>
TOTAL LIABILITIES	<u>\$1,483,938</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	\$85,469
 NET POSITION	
Net investment in capital assets	\$478,949
Unrestricted	<u>(\$460,951)</u>
TOTAL NET POSITION	<u><u>\$17,998</u></u>

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

STATEMENT OF ACTIVITIES

Northeast Tri County Health District

For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	2,037,404	391,078	583,821		(1,062,505)		(1,062,505)	
Total Governmental Activities	2,037,404	391,078	583,821	-	(1,062,505)	-	(1,062,505)	
Business-Type Activities								
Total Business-Type Activities								
Total Primary Government	2,037,404	391,078	583,821	-	(1,062,505)	-	(1,062,505)	
Component Units:								
Total Component Units								

General Revenues:			
Grants and Contributions not Restricted to Specific Programs	1,045,632		1,045,632
Unrestricted Investment Earnings	2,544		2,544
Miscellaneous	5,704		5,704
Total General Revenues, Extraordinary, Special Items, and Transfers	1,053,880	-	1,053,880
Changes in Net Position	(8,625)		(8,625)
Net Position - Beginning	29,712		29,712
Adjustment to Pension Expense for GASB 68	(3,089)		(3,089)
Net Position - Ending	17,998	-	17,998

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

BALANCE SHEET

Northeast Tri County Health District

Governmental Funds
December 31, 2016

	<u>General Fund</u>
ASSETS and OUTFLOWS of RESOURCES	
Cash and Cash Equivalents	\$230,300
Investments	\$606,636
Receivables, Net	\$89,388
Total Assets	<u>\$926,324</u>
 Deferred Outflows of Resources	 <u>\$0</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$926,324</u></u>
 LIABILITIES, DERERRED INFLOWS of RESOURCES and FUND BALANCES	
Liabilities:	
Accounts Payable	\$120,771
Total Liabilities	<u>\$120,771</u>
 Deferred Inflows of Resources	 <u>\$0</u>
 Fund Balances:	
Assigned	\$21,300
Unassigned	\$784,253
Total Fund Balances	<u>\$805,553</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u><u>\$926,324</u></u>

Reconciliation of the Balance Sheet to the Statement of Net Position:

Amounts reported for <i>governmental activities</i> in the statement of net position are different because: balance in govt. funds	805,553
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	478,949
Deferred outflows of resources related to pensions	182,132
Some liabilities are not due and payable in the current period and therefore are not reported in the fund:	
Capital Lease	(175,275)
Compensated Absences	(91,948)
Net pension liability	(1,095,944)
Deferred inflows of resources related to pensions	(85,469)
Net position of governmental activities	17,998

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Northeast Tri County Health District

Governmental Funds
Year Ended December 31, 2016

	GENERAL FUND
REVENUES	
Licenses and Permits	\$276,276
Charges for Service	\$911,131
Intergovernmental Revenues	\$833,124
Investment Earnings	\$2,544
Miscellaneous	\$5,704
Total Revenues	<u>\$2,028,779</u>
EXPENDITURES	
Current:	
General Government	\$1,942,521
Debt Service - Principal	\$56,880
Capital Outlay	\$22,727
Total Expenditures	<u>\$2,022,128</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$6,651</u>
OTHER FINANCING SOURCES (USES)	
Other Sources	\$0
Other Uses	\$0
Total Other Financing Sources and Uses	<u>\$0</u>
Net Change in Fund Balances	\$6,651
Fund Balances - Beginning	\$798,902
Fund Balances - Ending	<u><u>\$805,553</u></u>

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

Change in Fund Balance	\$6,651
Debt Service - Principal	\$56,880
Capital Outlays	\$24,727
Sale of Capital Assets	(\$33,258)
Compensated Absences	(\$12,085)
Depreciation (Net)	(\$4,682)
Pension Expense	(\$46,858)
Change in Net Position	(\$8,625)

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

NOTES TO FINANCIAL STATEMENTS

January 1, 2016 through December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northeast Tri County 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 District was formed February 1977 with the resolution making the action retroactive to January 1, 1977, and operates under the laws of the state of Washington applicable to special purpose districts/non-profits with board form of government. As required by the generally accepted accounting principles the financial statements present the District - the primary government.

This is a mutual agreement between the cities, towns, and counties of Northeast Washington State under R.C.W. 70.46, to provide public health services in Ferry, Pend Oreille, and Stevens Counties and the twelve (12) incorporated communities of Chewelah, Colville, Cusick, Lone, Kettle Falls, Marcus, Metaline, Metaline Falls, Newport, Northport, Republic, and Springdale. The District is governed by a nine (9) member Board of Health. The Board is responsible for establishing District policy, assessing community public health needs, approving the annual budget, and reviewing ongoing activities of the District. The members of the Board of Health are elected officials from the cities, towns, and counties in the tri county area.

B. Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government. Governmental activities are supported by charges for services, operating grants and contributions, and county contributions for support.

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 or a particular function or segment. Grants and contributions not restricted to specific programs are reported as general revenues.

C. Measurement Focus, Basis of Accounting

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 revenues 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.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been satisfied, and the amount is received during the period or within the availability period for this revenue source usually within 90 days of the fiscal year end.

Expenditures generally are recorded when a liability is incurred, as under an accrual accounting. However, expenditures related to compensated absences, are recorded only when payment is due.

Licenses and interest associated within the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal 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 operating fund. It accounts for all financial resources of the general government.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budget is adopted for the general fund on the accrual basis of accounting, and appropriations for the general fund lapse at year-end.

2. Amending the Budget

Any revisions that alter the total expenditures of the District must be adopted by resolution by the Board of Health.

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

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

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

Stevens County is the treasurer for the Health District. At December 31, 2016, the treasurer was holding \$225,551 in cash. The District also has two bank accounts that include \$560 at Washington Federal and \$739 at Banner Bank.

The District has petty cash, change funds, and an advance travel fund in the amount of \$3,450. This amount is classified on the balance sheet as cash and cash equivalents.

2. Investments - See Note #5, *Deposits and Investments*

3. Receivables

Customer account receivables consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

4. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased.

5. Capital Assets - See Note #2, *Capital Assets*

Capital assets, which include property, building, and equipment, are recorded in the government-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of more than \$5,000 and an estimated usefulness in excess of 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Vehicles	7
Computer/Technology System	5
Office furniture	7
Buildings	40

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 financial statements.

Vacation pay is accrued according to one's percent of full time equivalent and length of service. Employees who work based on 7.5 hour days can accumulate

a maximum of 225 hours of vacation. Compensation is based on current wages at termination paid to the employee or to their estate upon death of the employee.

Sick leave buyout will be paid to employees (or their estate on their death) who separate from the District due to retirement, death, or after 20 years of service at the rate of twenty-five (25) percent. Compensation is based on the employee's salary at the time of separation.

Employees who separate for any reason other than retirement, death, or 20 years of service will not be paid for their accumulated sick leave.

7. Pensions

For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Other Accrued Liabilities

These accounts consist of accrued wages, accrued employee benefits, and accrued vouchers.

9. Long-Term Debt – See Note #3, *Changes in Long-Term Liabilities*

10. Fund Balance Classification

The Board of Health authorized the assigned fund balance amounts within the General Fund of \$21,300. Of which, \$13,700 is for unemployment compensation and \$7,600 is for communicable disease. Generally, expenditures are spent from the unassigned fund balance in order to maintain the assigned fund balance amounts for future expenditures.

NOTE 2 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 was as follows:

Governmental Activities	Beginning Balance 01/01/16	Increases	Decreases	Ending Balance 12/31/16
Capital assets, not being depreciated:				
Land	139,985	0	0	139,985
<u>Total capital assets, not being depreciated</u>	139,985	0	0	139,985
Capital assets, being depreciated:				
Buildings	640,020	0	0	640,020
Machinery and equipment	306,026	24,727	(33,258)	297,495
<u>Total capital assets being depreciated</u>	946,046	24,727	(33,258)	937,515
Less accumulated depreciation for:				
Buildings	(361,672)	0	(16,001)	(377,673)
Machinery and equipment	(232,197)	33,258	(21,939)	(220,878)
<u>Total accumulated depreciation</u>	(593,869)	33,258	(37,940)	(598,551)
<u>Total capital assets, being depreciated, net</u>	352,177	57,985	(71,198)	338,964
Governmental activities capital assets, net	492,162	57,985	(71,198)	478,949

NOTE 3 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/16	Additions	Reductions	Ending Balance 12/31/16	Due Within One Year
Governmental Activities:					
Capital Lease	232,155		(56,880)	175,275	57,206
Net Pension Liability	865,912	230,032		1,095,944	0
Compensated absences	79,863	24,170	(12,085)	91,948	0
Governmental activity long-term liabilities:	1,177,930	254,202	(68,965)	1,363,167	57,206

Compensated absences are generally liquidated by the general fund.

NOTE 4 - CONTINGENCIES AND LITIGATIONS

The District has had pending and threatening litigation from one former employee through 2015. In January 2016, the case was closed by United States District Court Judge. The case was handled by the District's insurance policy attorneys, and the District did not pay nor was the District found liable for the claim.

The 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. District management believes that such disallowances, if any, will be immaterial.

NOTE 5 - DEPOSITS AND INVESTMENTS

All deposits and investments of the District are handled through the Stevens County Treasurer's Office. Investments are transferred upon written authorization from the District.

A. DEPOSITS

The District's deposits 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).

B. INVESTMENTS

As of December 31, 2016, \$606,636 was invested on the District's behalf by the Stevens County Treasurer.

NOTE 6 – LEASE

A. Operating Leases

The District leases the office buildings and other equipment under non-cancelable operating leases. Total cost for such leases was \$28,693 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2017	12,418
2018	12,418
2019	12,418
2020	6,706
2021	0
Total	\$43,960

B. Capital Leases

The District entered into a commercial lease agreement on August 25, 2009 with commencement date of February 1, 2010. This is a ten-year lease with option to renew lease or purchase the building at 605 Highway 20 in Newport Washington. The option to renew the lease is for an additional 10 years with rent to be renegotiated at the time of renewal, plus, another extension of an additional period of 10 years (for a total possible extension of 20 years) under the same terms and conditions of the first extension. The option to purchase can be exercised at any time during the first 10 years of the lease at a predetermined price per year or may mutually agree upon a lower purchase price based upon appraised value.

This lease agreement qualifies as a capital lease for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The future minimum lease payment for this lease is as follows:

Year Ending December 31	Amount
2017	57,206
2018	56,846
2019	56,846
2020	4,377
2021	0
Total	\$175,275

NOTE 7 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(1,095,944)
Pension assets	0
Deferred outflows of resources	182,132
Deferred inflows of resources	(85,469)
Pension expense/expenditures	46,858

State Sponsored 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 98504-8380

Or the DRS CAFR may be downloaded from the DRS website as www.drs.wa.gov.

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 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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	.18%	
Total	11.18%	6.00%

*For employees participating in JBM, the contribution rate was 12.26%

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 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 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service 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 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 .018 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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
PERS Plan 2/3	6.23%	6.12%
PERS Plan 2/3 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	11.18%	6.12%

*For employees participating in JBM, the contribution rate was 15.30%

The District's actual PERS plan contributions were \$51,864 to PERS plan 1 and \$69,682 to PERS Plan 2/3 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent 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.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent 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 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent 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. The 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 percent 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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the 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 Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, 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 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	590,699	489,841	403,046
PERS 2/3	1,115,946	606,104	(315,512)

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, 2016, the District's reported a total pension liability of \$1,095,944 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	489,841
PERS 2/3	606,104

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	.010022%	.009121%	.000901%
PERS 2/3	.013893%	.012038%	.001855%

Employer contribution transmittals received and processed by the 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 the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the District's recognized pension expense as follows:

	Pension Expense
PERS 1	(\$20,549)
PERS 2/3	\$67,408

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 12,333	\$ 0
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 24,358	\$ 0
TOTAL	\$ 36,691	\$ 0

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,275	(\$20,008)
Net difference between projected and actual investment earnings on pension plan investments	\$ 74,170	\$ 0
Changes of assumptions	\$ 6,265	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	(\$65,461)
Contributions subsequent to the measurement date	\$ 32,732	\$ 0
TOTAL	\$ 145,441	(\$85,469)

Total Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,275	(\$20,008)
Net difference between projected and actual investment earnings on pension plan investments	\$ 86,503	\$ 0
Changes of assumptions	\$ 6,265	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	(\$65,461)
Contributions subsequent to the measurement date	\$ 57,090	\$ 0
TOTAL	\$ 182,133	(\$84,469)

Deferred outflows of resources 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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2017	(\$3,037)
2018	(\$3,037)
2019	\$11,327
2020	\$7,080
2021	\$0
Thereafter	\$0
Total	\$12,333

Year ended December 31:	PERS 2/3
2017	(\$20,760)
2018	(\$20,760)
2019	\$37,265
2020	\$31,494
2021	\$0
Thereafter	\$0
Total	\$27,239

NOTE 8 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2016 were as follows:

	Accounts	Taxes	Special Assessments	Due from Other Government	Other	Total
Governmental Activities:	0	0	0	\$89,388	0	\$89,388
Amounts not scheduled for collection during the subsequent year	0	0	0	0	0	0

B. Payables

Payables at December 31, 2016 were as follows:

	Vendors	Salaries and benefits	Total
Governmental Activities:	\$18,950	\$101,821	\$120,771

NOTE 9 - RISK MANAGEMENT

The 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 counties and two 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, 2016, there are 524 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 liability loss.
- \$250,000 deductible on property loss – the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies of 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 \$20 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 year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Master Agreement.

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

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.

The District has elected to be self-insured for unemployment compensation. This coverage is on a reimbursement basis with Employment Security Department, Washington State. A portion of fund balance has been designated within the General Fund in the amount of \$13,700 for potential unemployment claims.

BUDGETARY COMPARISON SCHEDULE

Northeast Tri County Health District

General Fund

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Budgetary Fund Balance, January 1			\$ 798,902	
Resources (Inflows):				
Licenses and Permits	\$ 206,500	\$ 206,500	\$ 276,276	\$ 69,776
Charges for Goods and Services	\$ 921,779	\$ 921,779	\$ 911,131	\$ (10,648)
Intergovernmental Revenues	\$ 828,801	\$ 890,801	\$ 833,124	\$ (57,677)
Miscellaneous	\$ 4,000	\$ 4,000	\$ 5,704	\$ 1,704
Interest Received	\$ 700	\$ 700	\$ 2,544	\$ 1,844
Amounts Available for Appropriation	\$ 1,961,780	\$ 2,023,780	\$ 2,028,779	\$ 4,999
Charges to Appropriations (Outflows):				
General Government:				
Public Health	\$ 2,209,500	\$ 2,272,500	\$ 1,999,401	\$ 273,099
Capital Outlay	\$ -	\$ -	\$ 22,727	\$ (22,727)
Total Charges to Appropriations	\$ 2,209,500	\$ 2,272,500	\$ 2,022,128	\$ 250,372
Budgetary Fund Balance, December 31			\$ 805,553	

Northeast Tri County Health District

Schedule of Proportionate Share of the Net Pension Liability

PERS 1
As of June 30, 2016
Last 10 Fiscal Years

		2015	2016
Employer's proportion of the net pension liability (asset)	%	.010022%	.009121%
Employer's proportionate share of the net pension liability	\$	524,244	489,841
Employer's covered employee payroll	\$	498,248	465,098
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	105.22%	105.32%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%

PERS 2/3
As of June 30, 2016
Last 10 Fiscal Years

		2015	2016
Employer's proportion of the net pension liability (asset)	%	.013893%	.012038%
Employer's proportionate share of the net pension liability	\$	496,405	606,104
Employer's covered employee payroll	\$	669,430	624,890
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	74.15%	96.99%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%

Northeast Tri County Health District

Schedule of Employer Contributions

PERS 1
As of December 31, 2016
Last 10 Fiscal Years

		<u>2015</u>	<u>2016</u>
Statutorily or contractually required contributions	\$	50,688	51,864
Contributions in relation to the statutorily or contractually required contributions	\$	(50,688)	(51,864)
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>
Covered employer payroll	\$	498,248	465,098
Contributions as a percentage of covered employee payroll	%	10.17%	11.15%

PERS 2/3
As of December 31, 2016
Last 10 Fiscal Years

		<u>2015</u>	<u>2016</u>
Statutorily or contractually required contributions	\$	68,102	69,682
Contributions in relation to the statutorily or contractually required contributions	\$	(68,102)	(69,682)
Contribution deficiency (excess)	\$	<u>0</u>	<u>0</u>
Covered employer payroll	\$	669,430	624,890
Contributions as a percentage of covered employee payroll	%	10.17%	11.15%

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov