

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Northeast Tri County Health District

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008325

Issue Date
September 24, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 24, 2012

Board of Health
Northeast Tri County Health District
Colville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Northeast Tri County 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,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

Northeast Tri County Health District January 1, 2011 through December 31, 2011

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

FINANCIAL STATEMENTS

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

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We reported 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 deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

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

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

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

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

Schedule of Federal Audit Findings and Questioned Costs

Northeast Tri County Health District January 1, 2011 through December 31, 2011

- 1. The District did not have adequate internal controls to ensure compliance with time and effort requirements for its Nutrition Program for Women, Infants, and Children**

CFDA Number and Title:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Federal Grantor Name:	U.S. Department of Agriculture
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Washington State Department of Health
Pass-through Award/Contract Number:	C14957
Questioned Cost Amount:	\$0

Description of Condition

During fiscal year 2011, the District spent \$275,635 on its Special Supplemental Nutrition Program for Women, Infants and Children (WIC) program. The objective of the program is to provide supplemental nutritious foods, nutrition education, and referrals to health care for low-income persons during critical periods of growth and development.

Approximately \$223,264, 81 percent of the grant, was used to pay salary and benefits. We reviewed the District's internal controls over payroll to determine whether salaries and benefits charged to the grant were supported by time and effort documentation as required by federal regulations. Depending on the number and type of activities employees work, time and effort documentation can be documented on a semi-annual certification or a monthly personnel activity report, such as a timesheet.

Some monthly employee timesheets are not completed in time to allocate salary charges based on actual activity. For these incomplete timesheets, the District bases payroll distribution on estimates for some days of each month. Our audit found that five of 20 monthly payroll distributions tested were based on estimates. Grant regulations allow the use of estimates, but these estimates must be adjusted to reflect actual employee activity at least annually. The District did not perform this adjustment.

Cause of Condition

The District does not have a process to ensure WIC program payroll distribution estimates are adjusted to actual activity in accordance with grant requirements.

Effect of Condition and Questioned Costs

The District is unable to ensure the payroll costs charged to the program are an accurate reflection of employee activities. Based on the results of our statistical sample, 25 percent of employee monthly payroll distributions were not based on actual activity. Although projected questioned costs from this sample were less than \$10,000, this material weakness could lead to material noncompliance with time and effort requirements.

Recommendation

We recommend the District establish internal controls to ensure that employee payroll and benefits charged to the grant reflect actual employee activity.

District's Response

Time studies will be revised quarterly. Time sheets that are not complete at the end of the month will be flagged for comparisons to actual time spent and reconciled quarterly with appropriate adjustments.

Changes will be proposed to the personnel policy manual to reflect a tightening of requirements on employees to ensure prompt and accurate submission of time sheets. These changes will be submitted to the Board of Health at the quarterly meeting in October for approval.

Auditor's Remarks

We appreciate the District's commitment to resolving this issue. We will review the condition during our next audit.

Applicable laws and Regulations

Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* (2 CFR Part 225), Appendix B, Section 8(h), states in part:

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in

subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a. More than one Federal award,
- b. A Federal award and a nonFederal award,
- c. An indirect cost activity and a direct cost activity,
- d. Two or more indirect cost activities which are allocated using different allocation bases, or
- e. An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- a. They must reflect an after-the-fact distribution of the actual activity of each employee,
- b. They must account for the total activity, for which each employee is compensated,
- c. They must be prepared at least monthly and must coincide with one or more pay periods, and
- d. They must be signed by the employee.
- e. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Schedule of Audit Findings and Responses

Northeast Tri County Health District January 1, 2011 through December 31, 2011

2. The District did not have adequate internal controls over accounting and financial reporting for capital leases.

Background

It is the responsibility of District management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Controls must ensure that financial data is reliably authorized, processed and reported. Our audit identified a significant deficiency in controls that adversely affect the District's ability to produce reliable financial statements.

Description of Condition

We identified the following deficiency in internal controls over financial reporting that represents a significant deficiency in controls:

The District entered a 10-year lease agreement for a City of Newport building. It reported this in the financial statements as an operating lease. Because total payments exceeded 90 percent of the property's market value at the date of the agreement, it meets the definition of a capital lease under *Generally Accepted Accounting Principles* and *Budgeting, Accounting and Reporting System Manual* guidance. District personnel responsible for compiling and reviewing financial information had not previously encountered this type of accounting transaction and therefore did not have a process in place to determine the proper recording and reporting.

Cause of Condition

Although District personnel responsible for financial reporting are generally knowledgeable of recording and reporting requirements, the District had not previously entered into capital lease agreements and was unfamiliar with the recording and reporting of this specific transaction type.

Effect of Condition

During our review of the District's financial statements, we found the following significant errors in the original financial statements we received for audit. The District corrected these errors.

- Statement of Net Position, Non-current liabilities were understated and Unrestricted Net Position was overstated by \$459,183 due to the capital lease liability.
- Statement of Activities required a \$516,029 prior period adjustment of for the lease liability which was not reported in the statement for the year ending December 31, 2010.

- Statement of Activities expenses were overstated by \$56,846 due to expensed lease payments that should have been a reduction to the capital lease liability.
- Statement of Revenues, Expenditures and Changes in Fund Balance, lease payments of \$56,846 were incorrectly classified as Public Health expenses instead of as Debt Service expenditures.

Recommendation

We recommend District management:

- Establish and follow procedures that identify unusual financial transactions, such as capital leases.
- Use established guidance to accurately record and report unusual or complex financial activity.

District's Response

Current capital lease expenses will be moved appropriately as noted by the auditor and be reflected on the financial statements. Yearly review of liabilities will be adjusted to reflect expended lease payments.

Future unusual and special circumstance liability controls will be coordinated with the state auditor's office to ensure compliance. An amendment to the annual report will be drafted to reflect changes.

Auditor's Remarks

We appreciate the District's commitment to resolving this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2007 Revision – Section 5.11, provides that auditors should report significant deficiencies and material weaknesses in internal control.

For all financial audits, auditors should report the following deficiencies in internal control:

a. Significant deficiency: a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived there from; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budgeting, Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section C. Internal Control, states in part:

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management.

Budgeting, Accounting and Reporting System (BARS) Manual - Part 1, Uniform Chart of Accounts, Chapter 4, Nominal Accounts Expenditures/Uses, Section C. Internal Control, defines an agreement as a capital lease:

. . . if the agreement meets any one of the following criteria . . .

d. The total payments under the agreement, less interest costs and charges for insurance and maintenance, equal or exceed 90 percent of the market value of the property at the date of the agreement.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Northeast Tri County Health District
January 1, 2011 through December 31, 2011**

Board of Health
Northeast Tri County Health District
Colville, Washington

We have audited 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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 20, 2012. During the year ended December 31, 2011, the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as finding number 1 that we consider to be significant deficiencies in

internal control over financial reporting. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of Health, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag", is positioned above the printed name and title.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 20, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Northeast Tri County Health District
January 1, 2011 through December 31, 2011**

Board of Health
Northeast Tri County Health District
Colville, Washington

COMPLIANCE

We have audited the compliance of the Northeast Tri County Health District, Stevens County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2011. The District's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Health, federal awarding agencies and pass-through entities. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

August 20, 2012

Independent Auditor's Report on Financial Statements

Northeast Tri County Health District January 1, 2011 through December 31, 2011

Board of Health
Northeast Tri County Health District
Colville, Washington

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, 2011, which collectively comprise the District's basic financial statements as listed on page 15. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northeast Tri County Health District, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, during the year ended December 31, 2011, the District implemented Governmental Accounting Standards Board *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 19 and budgetary comparison information on page 35 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 the 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

August 20, 2012

Financial Section

Northeast Tri County Health District January 1, 2011 through December 31, 2011

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2011

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2011

Statement of Activities – 2011

Balance Sheet – Governmental Funds – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2011

Notes to Financial Statements – 2011

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2011

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2011

Notes to the Schedule of Expenditures of Federal Awards – 2011

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, 2011. 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 overall financial position remained stable during Fiscal Year (FY) 2011. However, net assets decreased by \$471,387 to \$1,001,512, due to a prior period adjustment to recognize the capital lease liability for the building leased in Newport. This change represents a 31% decrease in net assets from prior year.
- The original budget was adopted at \$2,412,210 with one budget amendment during the year for the amount of \$75,000.
- The original budget plan was to use \$194,100 of the fund balance. The fund balance actually increased by \$29,121 leaving an ending balance of \$954,308.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets and the Statement of Activities

The analysis of the Statement of Net Assets 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 assets and changes in them. You can think of the District's net assets - 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 assets 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.

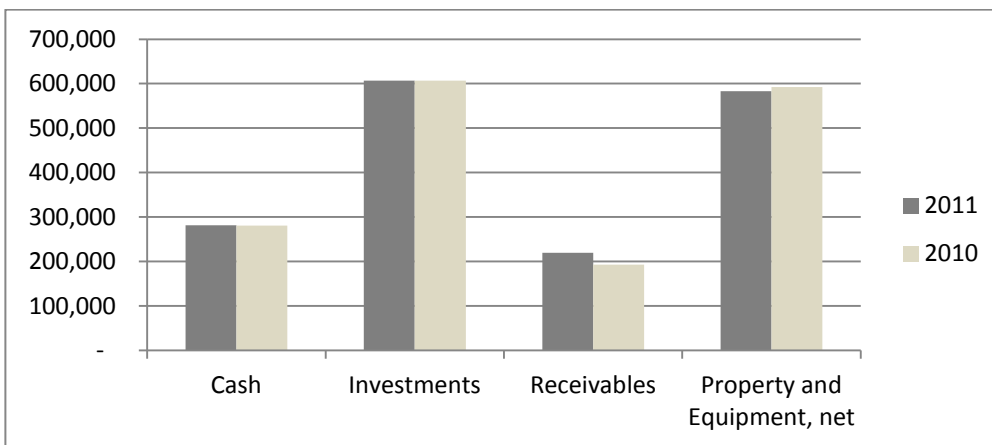
CONDENSED COMPARATIVE FINANCIAL DATA

Net assets of the District decrease of \$451,303 (31%). The unrestricted portion that can be used to finance the day-to-day operations decreased \$442,266 (31%). This is due to a prior period adjustment to recognize the capital lease liability for the building leased in Newport

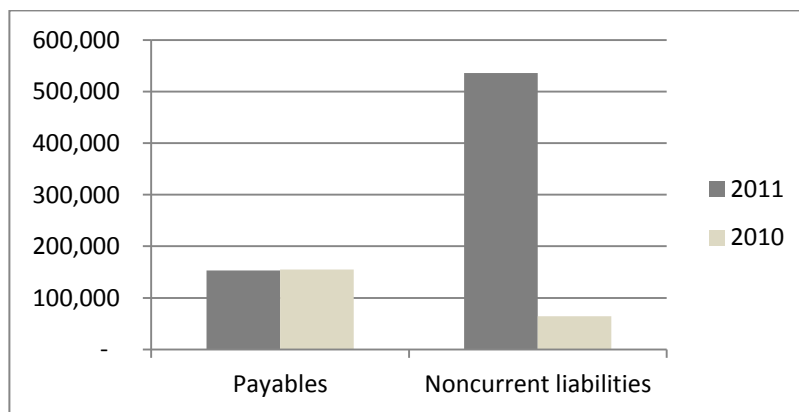
Net Assets of Governmental Activities

	Governmental Activities		Variance Positive (Negative)	% Change
	2011	2010		
Current and other assets	\$ 1,107,174	\$ 1,080,517	\$ 26,657	2.47%
Capital Assets	\$ 583,316	\$ 592,353	\$ (9,037)	-1.53%
Total assets	\$ 1,690,490	\$ 1,672,870	\$ 17,620	1.05%
Current liabilities	\$ 152,866	\$ 155,330	\$ 2,464	1.59%
Long-term liabilities	\$ 536,112	\$ 64,725	\$ (471,387)	-728.29%
Total Liabilities	\$ 688,978	\$ 220,055	\$ (468,923)	-213.09%
Net Assets:				
Invested in capital assets, net of debt	\$ 583,316	\$ 592,353	\$ (9,037)	-1.53%
Unreserved	\$ 418,196	\$ 860,462	\$ (442,266)	-51.40%
Total net assets	\$ 1,001,512	\$ 1,452,815	\$ (451,303)	-31.06%

Asset Mix



Liability Mix



Operating revenue for the District is generated from licenses, permits, grants, county contributions, and other fees for service. Federal and State grants continue to be unstable and a handful of grant funds were eliminated. However, while some grants were eliminated, others increased funding which resulted in a net increase for the District.

Expenses remained stable with the largest line item in personnel. The District offered a voluntary early retirement program to help position staffing patterns for the future. Two employees took advantage of the program.

Changes in Revenue, Expenditures, and Fund Balance

	General Fund		Variance Positive (Negative)	% Change
	2011	2010		
REVENUES				
Licenses and Permits	\$ 185,505	\$ 197,553	\$ (12,048)	-6.10%
Intergovernmental Revenue	\$ 2,156,650	\$ 2,070,957	\$ 85,693	4.14%
Charges for Services	\$ 74,565	\$ 83,087	\$ (8,522)	-10.26%
Miscellaneous Revenue	\$ 41,302	\$ 16,592	\$ 24,710	148.93%
Total Revenues	\$ 2,458,022	\$ 2,368,189	\$ 89,833	3.79%
EXPENDITURES				
Public Health	\$ 2,357,089	\$ 2,370,038	\$ 12,949	0.55%
Debt Service	\$ 56,846		\$ (56,846)	100.00%
Capital Outlay	\$ 21,242	\$ 34,222	\$ 12,980	37.93%
Total Expenditures	\$ 2,435,177	\$ 2,404,260	\$ (30,917)	-1.29%
Excess (Deficiency) of Revenues over Expenditures	\$ 22,845	\$ (36,071)	\$ 58,916	-163.33%
OTHER FINANCING SOURCES (USES)				
Other Sources	\$ 6,276	\$ 4,778	\$ 1,498	
Other Uses	\$ -	\$ -	\$ -	0.00%
Total Other Financing Sources and Uses	\$ 6,276	\$ 4,778	\$ 1,498	
Net CHANGE IN FUND BALANCES	\$ 29,121	\$ (31,293)	\$ 60,414	-193.06%
Prior Period Adjustment	\$ -	\$ -	\$ -	
FUND BALANCES - BEGINNING	\$ 925,187	\$ 956,480	\$ (31,293)	-3.27%
FUND BALANCES - ENDING	\$ 954,308	\$ 925,187	\$ 29,121	3.15%

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The District's overall financial position has improved this fiscal year. During budget preparations for 2011, the management and budget committee knew it was going to be another challenging year and did not have final revenue information until after the fiscal year began. The target was to use some of the fund balance to limit budget reductions. Consequently, ongoing budget scenarios continued through the first half of the year and adjust expenditures as necessary.

The budget committee seeks to find the balance of providing services to the community, maintaining staff salaries and benefits comparable to the surrounding market, while keeping county contributions stable. Prudent management of expenses and unanticipated revenue contributed to slight increase of the fund balance.

FUND ANALYSIS

The governmental fund reported a balance of \$954,308 which is a \$29,121 (3.15%) increase. This increase is a major success when considering the original plan was to use \$194,100 of the fund. This achievement should help future budgets be less volatile while federal and state government continues economic instability.

The District believes that it does not have any restrictions, commitments, or other limitations that significantly affect the availability of fund resources for future use.

BUDGET VARIANCES IN THE GENERAL FUND

A \$75,000 budget amendment was included to cover the unanticipated voluntary early retirement program and technology updates necessary for medical records compliance.

Actual revenue over budgeted revenue was positive to the amount of \$171,188. Unanticipated federal grants made up the difference when state grants were eliminated.

Actual expenditures also ended positive by being under budget by \$52,033 from a variety of line items. Management continues to reevaluate staffing and operating expenses to meet the District's purpose to promote and protect the health of the citizens in the areas of Community Health and Environmental Health services.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

The District's net change in capital assets was minimal. The following table shows the results of purchasing, selling, and depreciation.

	Capital Assets at Year-End (net of depreciation)		Variance Positive (Negative)	% Change
	Governmental Activities			
	<u>2011</u>	<u>2010</u>		
Land	\$ 139,985	\$ 139,985	\$ -	0.00%
Building	\$ 342,350	\$ 358,350	\$ (16,000)	-4.46%
Vehicles and equipment	\$ 100,981	\$ 94,018	\$ 6,963	7.41%
Totals	<u>\$ 583,316</u>	<u>\$ 592,353</u>	<u>\$ (9,037)</u>	<u>-1.53%</u>

Debt

Long Term increased \$471,837 due to a prior period adjustment to recognize the capital lease liability for the building leased in Newport. There are no commitments for future capital expenditures at this time. Any further interest regarding capital assets and long-term activity is covered in the notes to the financial statements.

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 OMB Circular A-133. Upon completion of the audit and issuance of the audit report, the report will be available by contacting the District. Other questions or additional financial information should also 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, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and Cash Equivalents	\$ 281,419
Investments	\$ 606,636
Receivables (Net)	\$ 219,119
Total current assets	<u>\$ 1,107,174</u>
Non-current assets:	
Capital assets Not Being Depreciated	
Land	\$ 139,985
Capital assets Net of Accumulated Depreciation	
Buildings	\$ 342,350
Vehicles and equipment	\$ 100,981
Total capital assets	<u>\$ 583,316</u>
TOTAL ASSETS	<u><u>\$ 1,690,490</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 22,097
Wages payable	\$ 96,328
Benefits payable	\$ 34,431
Due to Other Gov't Units Vital Statistics	\$ 10
Total current liabilities	<u>\$ 152,866</u>
Non-current liabilities:	
Capital lease	\$459,183
Compensated absences	\$ 76,929
Total non-current liabilities	<u>\$ 536,112</u>
TOTAL LIABILITIES	<u>\$ 688,978</u>
 NET POSITION	
Invested in capital assets, net of related debt	\$ 583,316
Unrestricted	\$ 418,196
TOTAL NET POSITION	<u><u>\$ 1,001,512</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (expenses) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Government Activities:								
Public Health	\$ 2,399,572	\$ 345,385	\$ 1,108,201		\$ (945,986)		\$ (945,986)	
Total Government Activities	\$ 2,399,572	\$ 345,385	\$ 1,108,201	\$ -	\$ (945,986)	\$ -	\$ (945,986)	\$ -

General Revenues:				
State entitlements		\$ 102,644		
Intergovernmental Revenue		\$ 860,490		
Interest and investment earnings		\$ 1,160		
Miscellaneous		\$ 46,418		
Total General Revenues		\$1,010,712		
Change in Net Position		\$ 64,726		
Net Position-Beginning		\$1,452,815		
Prior Period Adjustments		\$ (516,029)		
Restated Net Assets		\$ 936,786		
Net Position-Ending		\$1,001,512		

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

BALANCE SHEET

Northeast Tri County Health District

Governmental Funds
December 31, 2011

<u>ASSETS</u>	<u>GENERAL</u>
Cash and Cash Equivalents	\$281,419
Investments	\$606,636
Receivables, Net	<u>\$219,119</u>
TOTAL ASSETS	<u><u>\$1,107,174</u></u>
 <u>LIABILITIES</u>	
Accounts Payable	\$22,097
Wages Payable	\$96,328
Benefits Payable	\$34,431
Due to Other Gov't Units	<u>\$10</u>
TOTAL LIABILITIES	<u><u>\$152,866</u></u>
 <u>FUND BALANCES</u>	
Fund Balances:	
Assigned	\$21,300
Unassigned	<u>\$933,008</u>
TOTAL FUND BALANCES	<u><u>\$954,308</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,107,174</u></u>

Amounts reported for governmental activities in the statement of net position are different because: balance in govt. funds	954,308
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	583,316
Some liabilities are not due and payable in the current period and therefore are not reported in the fund.	(536,112)
Net position of governmental activities:	1,001,512

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, 2011

	GENERAL FUND
<u>REVENUES</u>	
Licenses and Permits	\$185,505
Intergovernmental Revenue	\$2,156,650
Charges for Service	\$74,565
Investment Earnings	\$1,160
Miscellaneous Revenue	\$40,142
Total Revenues	<u>\$2,458,022</u>
<u>EXPENDITURES</u>	
Current:	
Public Health	\$2,357,089
Debt Service - Principal	\$56,846
Capital Outlay	\$21,242
Total Expenditures	<u>\$2,435,177</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$22,845</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Other Sources	\$6,276
Other Uses	\$0
Total Other Financing Sources and Uses	<u>\$6,276</u>
NET CHANGE IN FUND BALANCES	\$29,121
FUND BALANCES - BEGINNING	\$925,187
FUND BALANCES - ENDING	<u><u>\$954,308</u></u>

Change in Fund Balance	\$29,121
Debt Service - Principal	\$56,846
Capital Outlays	\$30,283
Sale of Capital Assets	(\$21,159)
Compensated Absences	(\$12,204)
Depreciation (Net)	(\$18,161)
Change in Net Position	\$64,726

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

January 1, 2011 through December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northeast Tri County Health District (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. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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. Taxes and other items not properly included among 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 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under an accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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 District reports the following major governmental fund:

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

E. Assets, Liabilities, Fund Balances, Net Assets

1. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2011, Stevens County Treasurer was holding \$888,055, of which \$281,419 is classified as cash and \$606,636 is classified as investments and are short-term residual investments of surplus cash. This classifications appear on the balance sheet. The interest on these investments is credited to the general fund.

The District considers its investments to be highly liquid (can be converted into cash within one year or less).

2. Investments - See Note #4 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. Note and contract receivables consist of amounts owed on open accounts from private individuals or organizations for goods and services rendered.

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. Ending inventories of materials and supplies were not sufficient in the governmental funds to be material and were not recorded.

5. Capital Assets - See Note #5 Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). 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. Interest incurred during the construction phase of the capital assets is included as part of the capitalized value of the assets constructed. The District did not have any interest expense incurred during the current fiscal year.

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 pay is accrued when incurred in the government-wide financial statements.

Vacation time 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. Other Accrued Liabilities

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

8. Long-Term Debt – See Note 9 Changes in Long-Term Liabilities

9. Fund Balance Classification

The Board of Health authorized the assigned fund balance amounts within the General Fund as disclosed in Note 13C. Generally, expenditures are spent from the unassigned fund balance in order to maintain the assigned fund balance amounts for future expenditures.

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.

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 the 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.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District is in compliance with all program audits that have been performed. There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in the fund of the District.

NOTE 4 - 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.

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).

INVESTMENTS

All investments are stated at cost or fair value and are shown on the statement of net position at cost. The District considers no material difference between cost and fair value. As of December 31, 2011, the District had the following investment through the Stevens County Treasurer's Office:

Investment	Maturities	Fair value of District's own investment	Fair value of investment held by District as an agent for other local governments, individuals or private organizations.	Total
State investment pool		\$606,636		\$606,636

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011 was as follows:

Governmental Activities	Beginning Balance 1/01/11	Increases	Decreases	Ending Balance 12/31/11
Capital assets, not being depreciated:				
Land	139,985	0	0	139,985
<u>Total capital assets, not being depreciated</u>	<u>139,985</u>	<u>0</u>	<u>0</u>	<u>139,985</u>
Capital assets, being depreciated:				
Buildings	640,020	0	0	640,020
Machinery and equipment	340,894	30,283	(21,159)	350,018
<u>Total capital assets being depreciated</u>	<u>980,914</u>	<u>30,283</u>	<u>(21,159)</u>	<u>990,038</u>
Less accumulated depreciation for:				
Buildings	(281,670)	0	(16,000)	(297,670)
Machinery and equipment	(246,876)	21,159	(23,320)	(249,037)
<u>Total accumulated depreciation</u>	<u>(528,546)</u>	<u>21,159</u>	<u>(39,320)</u>	<u>(546,707)</u>
<u>Total capital assets, being depreciated, net</u>	<u>452,368</u>	<u>51,442</u>	<u>(60,479)</u>	<u>443,331</u>
Governmental activities capital assets, net	592,353	51,442	(60,479)	583,316

NOTE 6 - 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available

comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website as www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local government. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended on by the State Legislature.

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

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employees contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (The AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is one percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon contributions the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provided disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at three percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

Judicial Benefit Multiplier

During January 1, 2007 through December 21, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make a one-time irrevocable election to pay increased contributions that would fund retirement benefit with a 3.5 percent multiplier. The benefits would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefits cap of 75 percent of AFC, pay higher contributions; stop contributing to the Judicial Retirement Account (JRA); and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	51,005
Total	262,285

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the

Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 10.80% for Plan 1 and 57.25% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	9.75%	9.75%	9.75%**
Employee-Local Government*	7.25%	7.25%	7.25%**
Employee-State Agency	9.76%	9.10%	7.50\$***
Employee-Local Government	12.26%	11.60%	7.50***

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** Plan 3 defined benefit portion only.

*** Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$1,450	\$65,422	\$12,945
2010	\$3,721	\$54,511	\$10,049
2009	\$4,770	\$80,073	\$9,210

NOTE 7 - RISK MANAGEMENT

The District is a member of Enduris. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entity to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal

Cooperation Act. Enduris was formed July 10, 1987, when two counties and two cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2011, there are 468 Enduris members representing a broad range of special purpose districts.

Enduris allows members to jointly purchase excess insurance coverage, share in the self-insured retention, establish a plan for total self-insurance, and provide excellent risk management services and other related services. Enduris provides "occurrence" policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" basis blanket form using current Statement of Values. The Property coverage includes mobile equipment, electronic data processing equipment, valuable papers, building ordinance coverage, property in transit, extra expense, consequential loss, accounts receivable, fine arts, inventory or appraisal cost, automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires insurance from unrelated insurance companies that is subject to a "per occurrence":

\$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.

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

The contract requires members to continue membership for a period of not less than one 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.

NOTE 8 - LEASES

Operating Leases

The District leases/rents office buildings and other equipment. Total cost for such leases/rents was \$124,754 for the year ended December 31, 2011. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2012	15,184
2013	5,184
2014	5,184
2015	2,160
Total	\$27,712

B. Capital Lease Agreement

The District entered into a commercial lease agreement on August 25, 2009 with commencement date of February 1, 2010. This is a 10 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 (or 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.

The future minimum lease payments for this lease is as follows:

Year Ending December 31	Amount
2012	56,846
2013	56,846
2014	56,846
2015	56,846
2016	56,846
2017 – 2020	174,594
Total	\$459,183

NOTE 9 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/11	Additions	Reductions	Ending Balance 12/31/11	Due Within One Year
Governmental Activities:					
Compensated absences	64,725	28,614	(16,410)	76,929	0
Capital lease	516,029		(56,846)	459,183	0
Governmental activity long-term liabilities:	580,754	28,614	(73,256)	536,112	0

Accrued vacation leave is the only figure recorded and is generally liquidated by the general fund.

NOTE 10 - CONTINGENCIES AND LITIGATIONS

The District has recorded in its financial statements all material liabilities, and in the opinion of management, there are no material situations which are not resolved, and if there were, the District's insurance policy should be adequate to pay claims.

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 11 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2011 were as follows:

	Accounts	Taxes	Special Assessments	Due from Other Government	Other	Total
Governmental Activities:	0	0	0	219,119	0	219,119

B. Payables

Payables at December 31, 2011 were as follows:

	Vendors	Salaries and benefits	Total
Governmental Activities:	22,097	130,759	152,856

NOTE 12 – TERMINATION BENEFITS

The District offered a one-time “Voluntary Early Retirement Program” by which employees may voluntarily retire early subject to the following conditions:

Eligibility

Employees who are eligible to retire according to the Washington State Department of Retirement Systems, either with full benefits or actuarially reduced as of January 1, 2011 may participate.

General Conditions

The District will provide financial incentives to eligible employees who retire. This is a one-time option. Application for retirement benefits under the conditions described must be made in writing to the Administrator by Monday, February 28, 2011, 10:00 A.M. for retirement no later than April 1, 2011.

Applicants for this voluntary early retirement program will have either a cash lump sum payment or a payment made into a Health Reimbursement Account. The payment amount will be determined by the number of years of service with the District. Employees with five year but less than ten years will receive \$10,000, and employees over ten years will receive an additional \$1,000 per year with a maximum amount of \$20,000. Partial year credit will not apply.

The District had two employees that participated in the voluntary early retirement program, and were eligible for the full maximum amount each.

NOTE 13 - OTHER DISCLOSURES

A. Subsequent Events

It is the belief of the District and the District's Attorney that there are no pending or threatening litigation or events that affect the financial statements between ending fiscal year and the date they are issued.

B. Prior Period Adjustment

Net Position-Beginning balance in the Statement of Activities was decreased by an adjustment of \$516,029 to recognize the liability at December 31, 2010 for the capital lease on the building located in Newport. In prior periods, this was treated as an operating lease but it was later determined that this lease met the definition of a capital lease.

C. Other

The District implemented GASB 54 during the fiscal period. This standard changed the title on the Statement of Net Assets to Statement of Net Position. The standard also established classifications for fund balances on the governmental fund balance sheet. The District has established an assigned fund balance within the General Fund. The following assigned fund balances are established as follows:

Unemployment Compensation	13,700
Communicable Disease	7,600
Total	\$21,300

BUDGETARY COMPARISON SCHEDULE

Northeast Tri County Health District

General Fund

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Budgetary Fund Balance, January 1			925,187	
Resources (Inflows):				
Licenses and Permits	186,250	186,250	185,505	(745)
Intergovernmental Revenues	1,936,060	2,011,060	2,156,650	145,590
Charges for Services	89,100	89,100	74,565	(14,535)
Miscellaneous	6,700	6,700	41,302	34,602
Other Sources	-	-	6,276	6,276
Amounts Available for Appropriation	2,218,110	2,293,110	2,464,298	171,188
Charges to Appropriations (Outflows):				
Public Health:				
Salaries and Wages	1,278,800	1,323,800	1,340,680	(16,880)
Personnel Benefits	397,300	397,300	406,262	(8,962)
Supplies	186,000	206,000	174,563	31,437
Other Services and Charges	525,110	535,110	492,430	42,680
Capitalized Machinery and Equipment	25,000	25,000	21,242	3,758
Total Charges to Appropriations	2,412,210	2,487,210	2,435,177	52,033
Budgetary Fund Balance, December 31			<u>954,308</u>	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

1 Federal Agency Name/Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture Food and Nutrition Service/pass-through from Wash State Dept of Health	Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	C14957	275,635		275,635	2
U.S. Department of Agriculture Food and Nutrition Service/pass-through from Wash State Dept of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C14957	250		250	2
U.S. Department of Environmental Protection Agency Office of Water /pass-through from Wash State Dept of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14957	4,000		4,000	2
U.S. Department of Education Office of Special Education and Rehabilitative Services/pass-through from WA State Dept of Early Learning	Special Education - Grants for Infants and Families	84.181	10-1278 12-1061	93,925		93,925	2
U.S. Department of Education Office of Special Education and Rehabilitative Services/pass-through from WA State Dept of Early Learning	ARRA - Early Intervention Services, Special Education - Grants for Infants and Families, Recovery Act	84.393	10-1312-01	3,626		3,626	4
U.S. Department of Health & Human Services Centers for Disease Control and Prevention/pass-through from Wash State Dept of Health	Public Health Emergency Preparedness	93.069	C14957	63,206		63,206	2
U.S. Department of Health & Human Services Office: Centers for Disease Control and Prevention/pass-through from Wash State Dept of Health	Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	C14957	31,256		31,256	2

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Health & Human Services Office of Population Affairs/pass-through from Wash State Dept of Health	Family Planning Services	93.217	C14957				2
				38,137		38,137	
U.S. Department of Health & Human Services Centers for Disease Control and Prevention/pass-through from Wash State Dept of Health	Immunization Grants	93.268	C14957				2
	(Value of vaccines)	93.268	C14957	30,399			3
			Subtotal	16,896			
				47,295		47,295	
U.S. Department of Health & Human Services Administration for Children and Families/pass-through from WA State DSHS	Promoting Safe and Stable Families	93.556	1063-94869				2
				7,256		7,256	
U.S. Department of Health & Human Services Administration for Children and Families/pass-through from Eastern WA University	Head Start	93.600	SR006409 PO017940				2
				14,750		14,750	
U.S. Department of Health & Human Services Office: Centers for Medicare and Medicaid Services/pass-through from WA State DSHS & WA State Health Care Authority	Medicaid Administrative Match	93.778	1066-12527 1166-35282				2
				101,407		101,407	
U.S. Department of Health & Human Services Office of the Secretary/ pass-through from Wash State Dept of Health	National Bioterrorism Hospital Preparedness Program	93.889	C14957				2
				3,449		3,449	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

1	2	3	4	5			6
Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Health & Human Services Office: Centers for Disease Control & Prevention/ pass-through from Wash State Dept of Health	Preventive Health and Health Services Block Grant	93.991	C14957	13,750		13,750	2
U.S. Department of Health & Human Services Health Resources and Services Administration /pass-through from Wash State Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C14957	76,284		76,284	2
Total Federal Awards Expended				\$774,226	\$0	\$774,226	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the modified accrual basis for all governmental funds represented on this schedule.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only federal grant portion of the program costs. Entire program costs, including the District's portion, may be more than shown.

NOTE 3 - NONCASH 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 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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