



**Office of the Washington State Auditor**  
**Pat McCarthy**

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

# **Spokane Regional Health District**

**For the period January 1, 2017 through December 31, 2017**

**Published September 28, 2018**

**Report No. 1022332**





**Office of the Washington State Auditor  
Pat McCarthy**

September 28, 2018

Board of Health  
Spokane Regional Health District  
Spokane, Washington

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

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

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Spokane Regional Health District January 1, 2017 through December 31, 2017

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

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

#### Financial Statements

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

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

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

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.561	SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.505	Maternal, Infant, and Early Childhood Home Visiting Cluster – Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster – Maternal, Infant and Early Childhood Home Visiting Grant Program

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

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

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

See finding 2017-001.

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

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Spokane Regional Health District January 1, 2017 through December 31, 2017

**2017-001 The District did not report the liabilities related to its other post-employment benefits in accordance with governmental accounting standards.**

#### *Background*

District Board members, state and federal agencies, and the public rely on the information included in the financial statements and report to make decisions. District management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Our audit identified a significant deficiency in internal controls over financial reporting that hindered the District's ability to produce reliable financial statements.

#### *Description of Condition*

The District did not report the liabilities related to other post-employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

#### *Cause of Condition*

When GASB Statement No. 45 took effect for governments, the District determined GASB 45 was not material to the financial statements. Although the District has procedures to review the prepared financial statements, the review was not adequate to ensure re-evaluation of past accounting standards and consideration of their effect on the current financial statements.

#### *Effect of Condition*

The District did not initially obtain an actuarial study to determine the amount of liabilities related to other post-employment benefits until the time of the audit. Consequently, the District did not report this liability totaling \$7,775,234 or present the note disclosures and other information required by generally accepted accounting principles (GAAP). The District did not prepare the Required Supplementary Information (RSI) Schedules to its OPEB liability.

The District corrected the above errors on the financial statements.

### ***Recommendation***

We recommend the District ensure that the financial statements review re-evaluates the effects of previously immaterial or not applicable financial reporting requirements.

### ***District's Response***

*Spokane Regional Health District would like to thank the Washington State Auditor's Office (SAO) for conducting a thorough audit. The District recognizes the importance of proper financial statement presentation and takes seriously the identification of any concerns. We understand and appreciate the recommendation provided by the SAO. The District provided the required information prior to the conclusion of the audit and will ensure its financial statement preparation processes includes a thorough review of GASB standards and their application to the District's financial statements.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during the next audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matter Identified in an Audit, paragraph 7.

Governmental Accounting Standards Board Statement No. 45.

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

**Spokane Regional Health District  
January 1, 2017 through December 31, 2017**

Board of Health  
Spokane Regional Health District  
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Spokane Regional Health District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 26, 2018. As discussed in Note 1 to the financial statements, during the year ended December 31, 2017, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. As discussed in Note 11 to the financial statements, in 2017, the District reported a prior period adjustment for the correction of a misstatement in the previously issued financial statements.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a



combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be significant deficiencies.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## **DISTRICT'S RESPONSE TO FINDINGS**

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2018

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

**Spokane Regional Health District  
January 1, 2017 through December 31, 2017**

Board of Health  
Spokane Regional Health District  
Spokane, Washington

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

We have audited the compliance of the Spokane Regional Health District, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we have reported to the management of the District in a separate letter dated September 27, 2018.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Spokane Regional Health District January 1, 2017 through December 31, 2017**

Board of Health  
Spokane Regional Health District  
Spokane, Washington

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Spokane Regional Health District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 18.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Spokane Regional Health District, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

During the year ended December 31, 2017 and as discussed in Note 1 to the financial statements, the District has adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Matters of Emphasis – Correction of Prior Year Misstatement**

As discussed in Note 11 to the financial statements, in 2017, the District reported a prior period adjustment for the correction of a misstatement in the previously issued financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 18 be presented to supplement the basic financial statements. Such information, although not a part

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an



integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2018

## **FINANCIAL SECTION**

### **Spokane Regional Health District January 1, 2017 through December 31, 2017**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Reconciliation – Balance Sheet/Statement of Net Position – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017

Notes to Financial Statements – 2017

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual  
General Fund – 2017

Schedule of the Districts Proportionate Share of Net Pension Liability – PERS 1,  
PERS 2/3 – 2017

Schedule of District Contributions – PERS 1, PERS 2/3 – 2017

Schedule of Funding Progress for Other Post-Employment Benefits (OPEB) – 2017

Schedule of Employer Contributions for Other Post-Employment Benefits (OPEB) – 2017

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

**Spokane Regional Health District**  
**Annual Report**  
**For the Fiscal Year Ended December 31, 2017**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (MD&A) of the Spokane Regional Health District (SRHD) provides an introduction to the major activities affecting the operations of the Health District and an introduction and overview to the financial performance and statements of the Spokane Regional Health District for the fiscal year ended December 31, 2017.

*Discussion of the Basic Financial Statements*

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

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

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

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

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

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

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

*Condensed Comparative Financial Data*

The changes in net position are a useful indicator of SRHD's financial position. SRHD's assets exceeded liabilities by \$2.3 million at December 31, 2017. During the year, the District had revenues of \$30.0 million and expenses of \$28.8 million. The results of operation resulted in a decrease to net position of \$5.7 million.

**Spokane Regional Health District**  
**Annual Report - Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2017**

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

			Change
			Increase
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>
<b>ASSETS:</b>			
Current and Other Assets	\$ 11,978	\$ 10,205	\$ 1,773
Capital Assets	<u>10,622</u>	<u>10,527</u>	<u>95</u>
Total Assets	<u>22,600</u>	<u>20,732</u>	<u>1,868</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	<u>1,382</u>	<u>2,114</u>	<u>(732)</u>
<b>LIABILITIES:</b>			
Long-term Liabilities	17,503	12,483	5,020
Other Liabilities	<u>1,648</u>	<u>1,280</u>	<u>368</u>
Total Liabilities	<u>19,151</u>	<u>13,763</u>	<u>5,388</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	<u>2,439</u>	<u>1,037</u>	<u>1,402</u>
<b>NET POSITION:</b>			
Invested in Capital Assets	10,622	10,527	95
Unrestricted	<u>(8,231)</u>	<u>(2,481)</u>	<u>(5,750)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,391</u>	<u>\$ 8,046</u>	<u>\$ (5,655)</u>

*Analysis of the Condensed Comparative Statement of Net Position*

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

The increase in capital assets during 2017 reflects the net of \$586,622 in purchases, less \$492,183 in depreciation.

The increase in long-term liabilities reflect a decrease in Net Pension Liability (NPL) from \$11,544,234 to \$8,739,682 plus an increase of \$7,775,234 in net OPEB obligation. The prior period adjustment for the net OPEB liability was \$7,127,289.

**Spokane Regional Health District**  
**Annual Report - Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2017**

Condensed Statement of Activities (in thousands)

<b>Revenues</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Charges for Services	8,512	7,408
Operating Grants & Contributions	15,823	13,057
General Revenues	5,656	5,365
<b>Total Revenues</b>	<b>\$ 29,991</b>	<b>\$ 25,830</b>
<b>Program Expenses</b>		
Public Health	28,519	25,972
<b>Total Expenses</b>	<b>\$ 28,519</b>	<b>\$ 25,972</b>
Change in Net Position	1,472	(142)
<b>Total Net Position, January 1</b>	<b>\$ 8,046</b>	<b>\$ 8,188</b>
<b>Prior Period Adjustment</b>	<b>\$ (7,127)</b>	
<b>Total Net Position, December 31</b>	<b>\$ 2,391</b>	<b>\$ 8,046</b>

*Overall Analysis of Financial Position and Result of Operations*

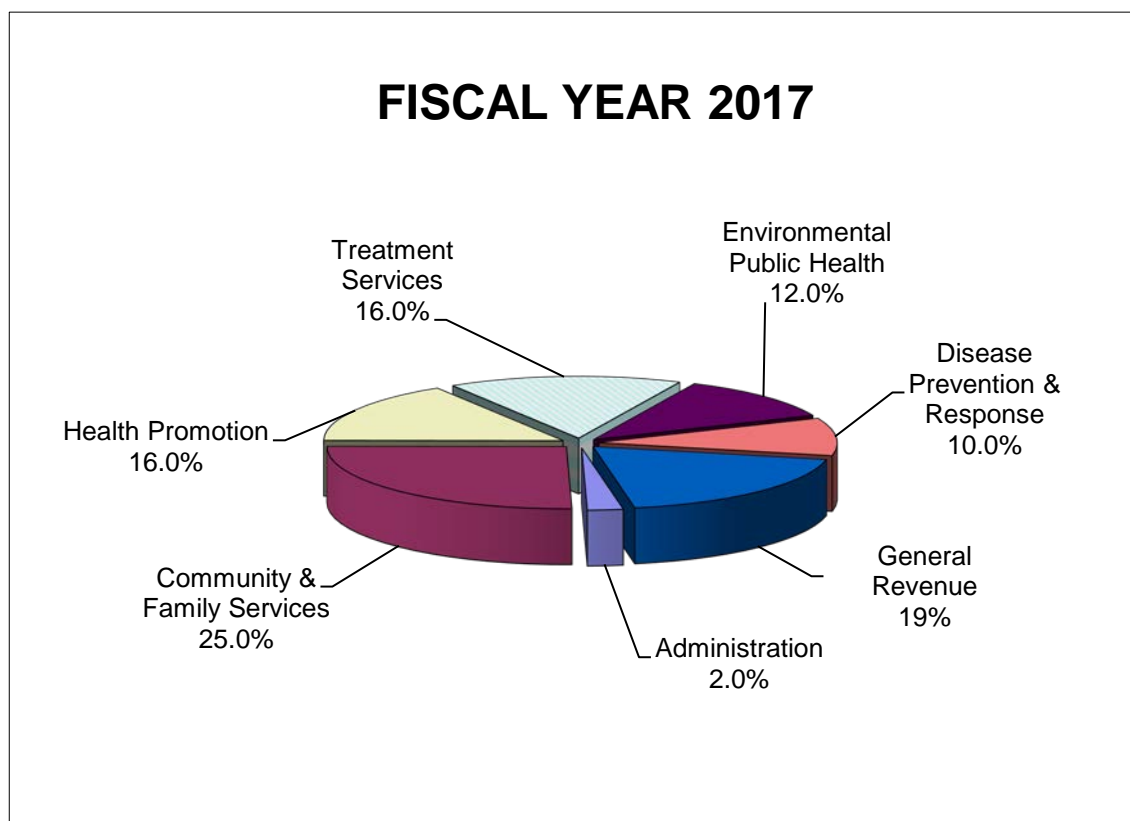
- Total revenues were up due to the school district grant increases in both student counts and amount per student in 2017
- Total revenues were up due to the contract increase from DOH for medical case management for HIV/AIDS clients
- Total revenues were up in Treatment Services due to the increased client enrollment
- Total expenses were up due to the pass-through nature of the school district grants and the increased operating expenses with an increased client enrollment in Treatment Services
- Prior period adjustment due to implementation of GASB 45

A summary of revenues for the year ended December 31, 2017, and the amount and percentage change in relation to prior year amounts is as follows (in thousands):

**Spokane Regional Health District**  
**Annual Report - Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2017**

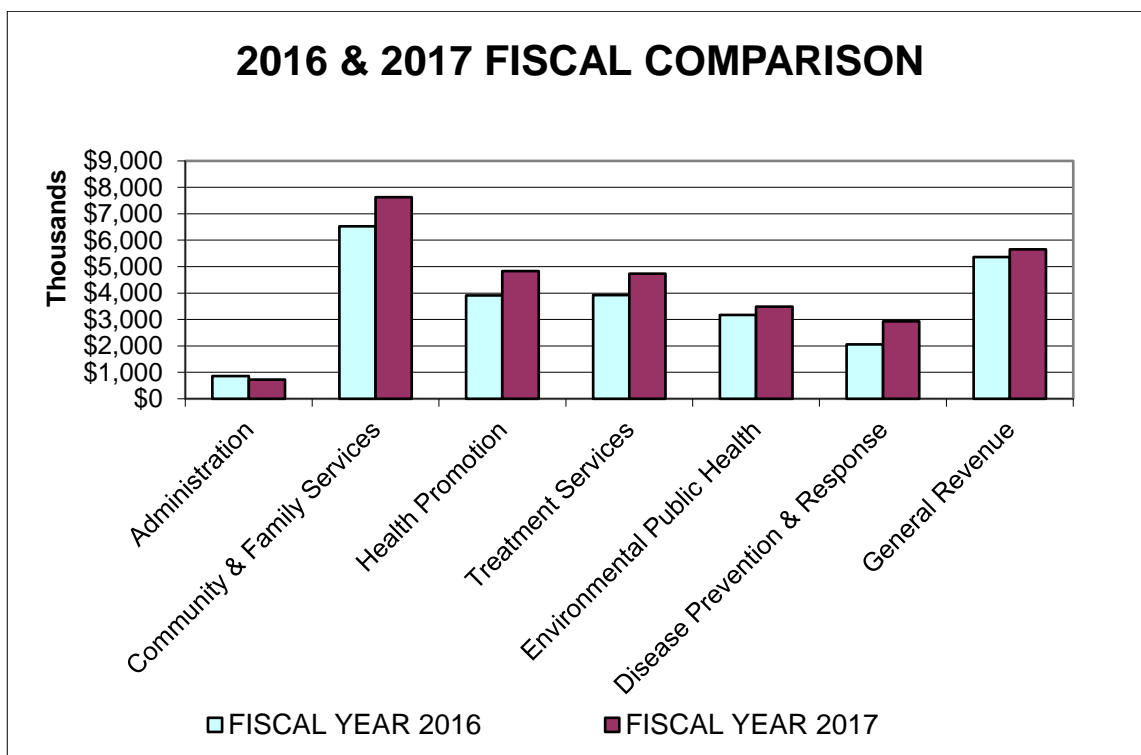
	2017	2016	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>PROGRAM REVENUES:</b>				
Community & Family Services	\$ 7,632	\$ 6,529	\$ 1,103	16.9%
Health Promotion	4,829	3,916	913	23.3%
Treatment Services	4,729	3,928	801	20.4%
Environmental Public Health	3,489	3,178	311	9.8%
Disease Prevention & Response	2,935	2,052	883	43.0%
Administration	721	862	(141)	-16.4%
<b>TOTAL PROGRAM REVENUES</b>	<b>24,335</b>	<b>20,465</b>	<b>3,870</b>	<b>18.9%</b>
<b>GENERAL REVENUE</b>	<b>5,656</b>	<b>5,365</b>	<b>291</b>	<b>5.4%</b>
<b>TOTAL REVENUES</b>	<b>\$ 29,991</b>	<b>\$ 25,830</b>	<b>\$ 4,161</b>	<b>16.1%</b>

The following chart shows revenues by division for the fiscal year ended December 31, 2017:

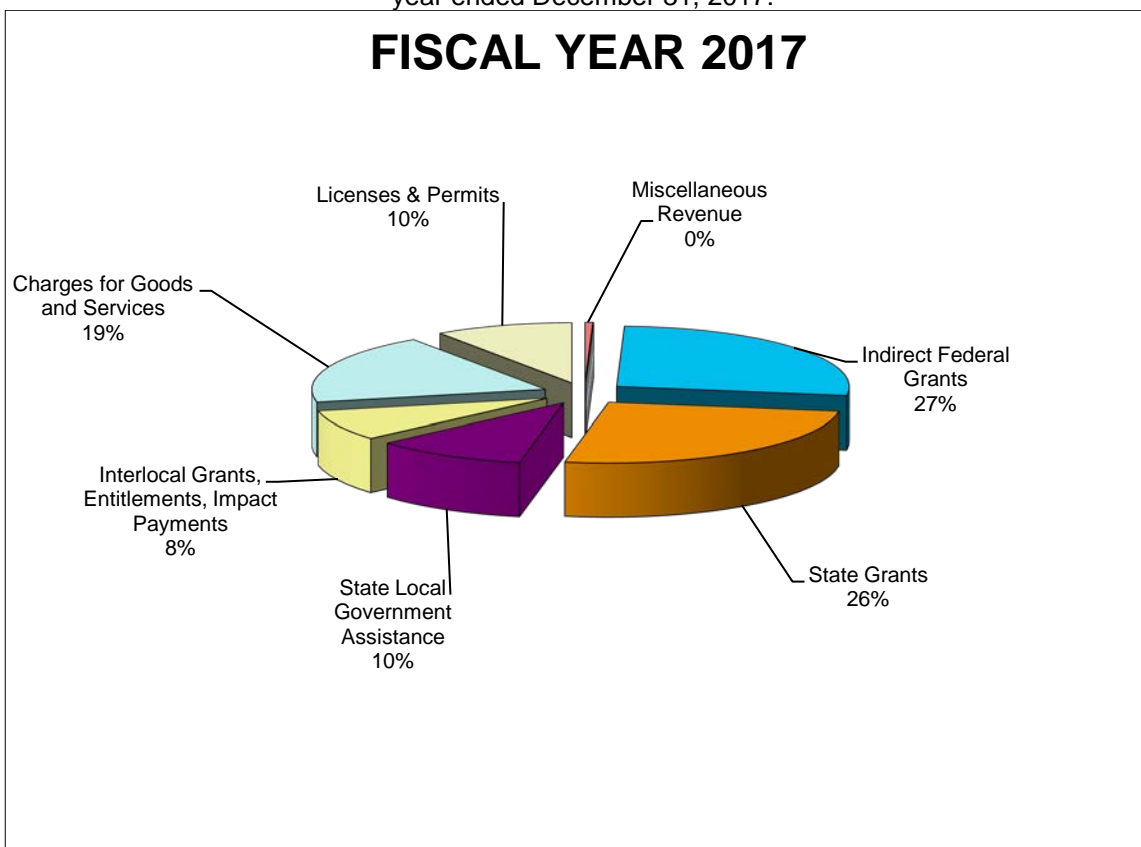


A comparison of revenues by division for fiscal years ending December 31, 2016 and 2017 is as follows:

**Spokane Regional Health District**  
**Annual Report - Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2017**

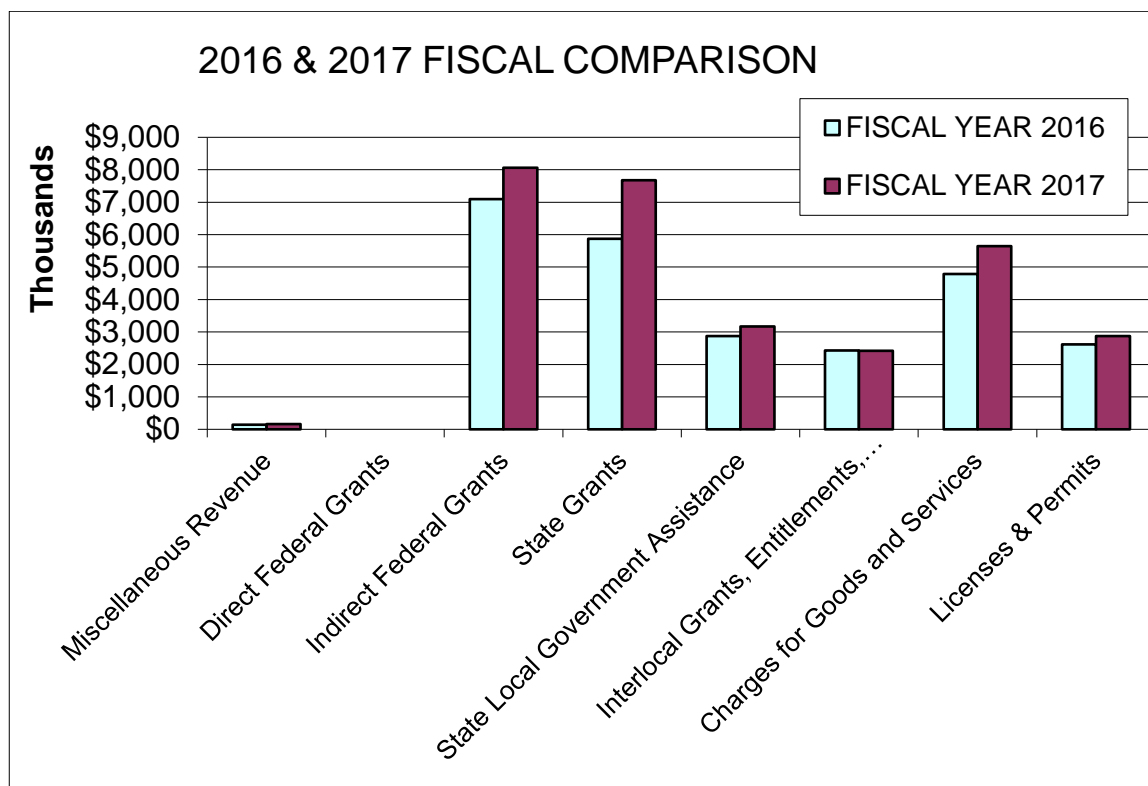


The following chart shows the major sources and the percentage of total operating revenues for the fiscal year ended December 31, 2017:



A comparison of revenues by source for fiscal years ending December 31, 2016 and 2017 is as follows:

**Spokane Regional Health District**  
**Annual Report - Management's Discussion and Analysis**  
**For the Fiscal Year Ended December 31, 2017**



A summary of program expenditures for the year ended December 31, 2017, and the amount and percentage change in relation to prior year amounts is as follows (in thousands):

EXPENDITURES:	2017	2016	Amount Increase (Decrease)	Percent Increase (Decrease)
Current:				
Community & Family Services	\$ 8,119	\$ 7,445	\$ 674	9.1%
Health Promotion	5,598	4,843	755	15.6%
Treatment Services	4,049	3,457	592	17.1%
Environmental Public Health	3,783	3,784	(1)	0.0%
Disease Prevention & Response	4,678	3,727	951	25.5%
Administration	2,540	2,284	256	11.2%
<b>TOTAL EXPENDITURES</b>	<b>\$ 28,767</b>	<b>\$ 25,540</b>	<b>\$ 3,227</b>	<b>12.6%</b>

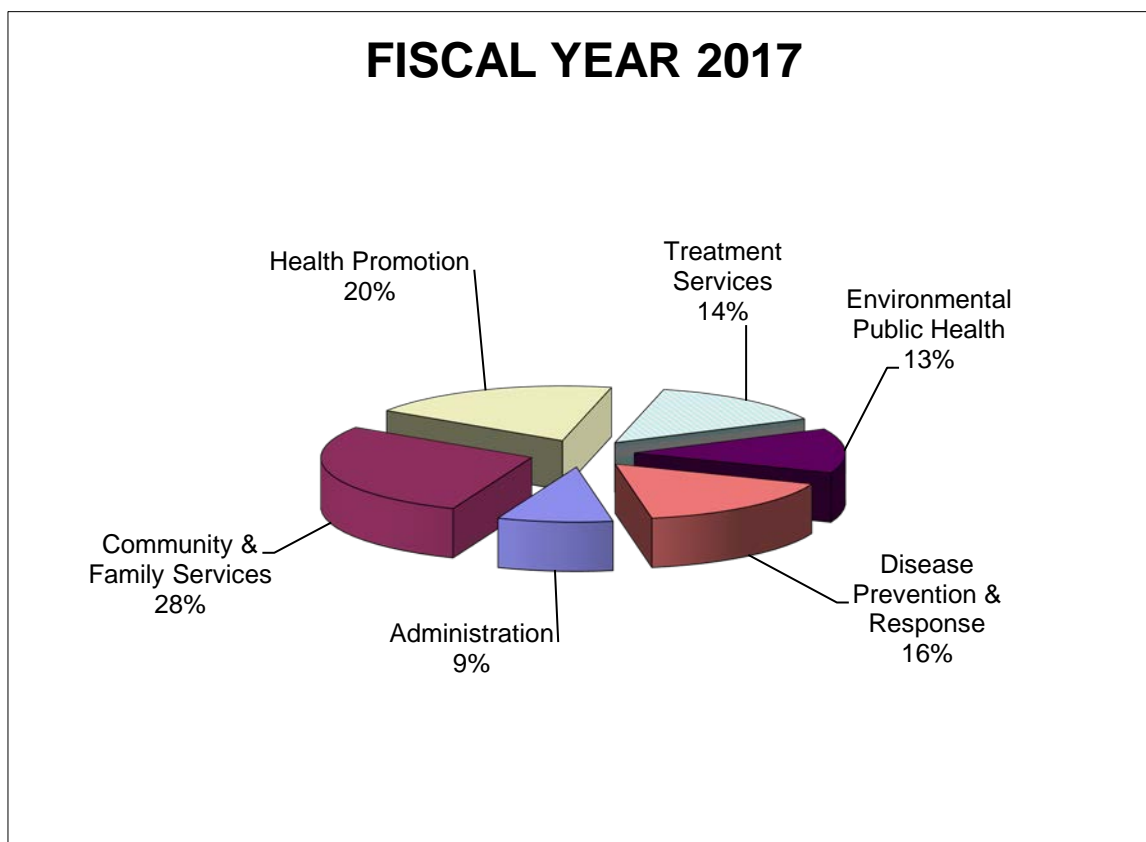


# Spokane Regional Health District

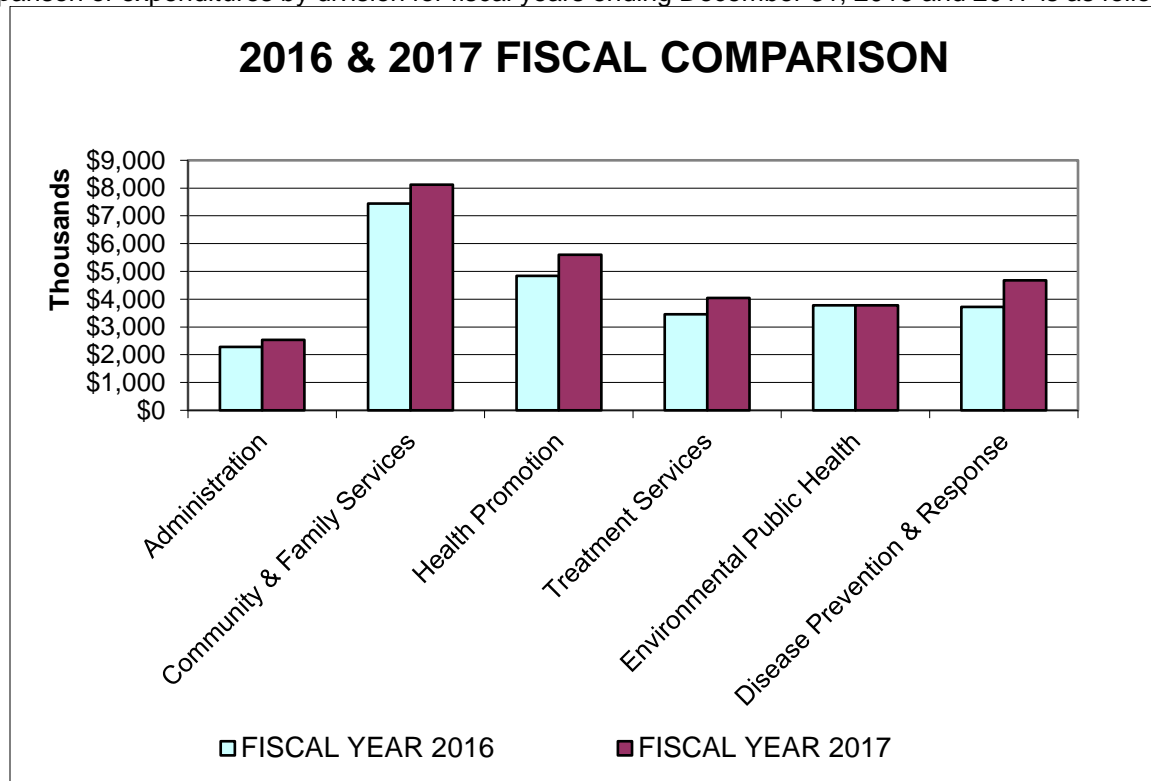
## Annual Report - Management's Discussion and Analysis

### For the Fiscal Year Ended December 31, 2017

The following chart shows expenditures by division for the fiscal year ended December 31, 2017:

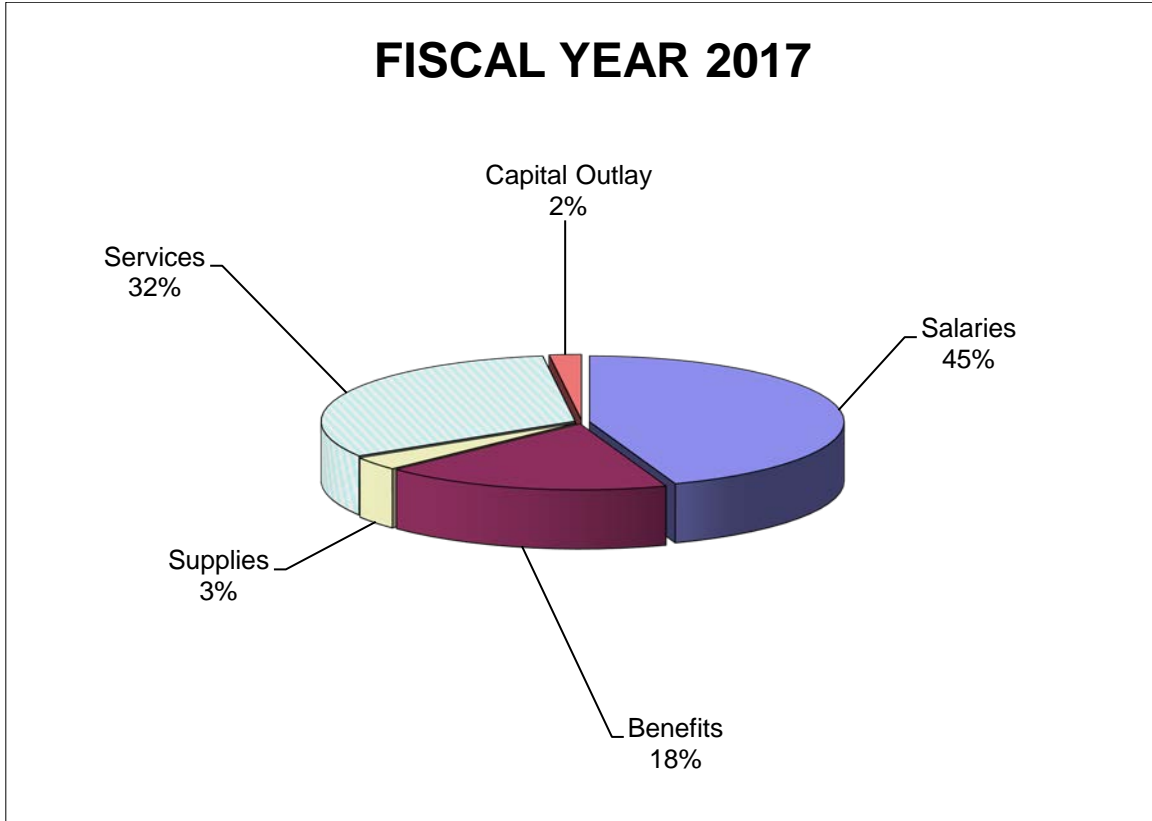


A comparison of expenditures by division for fiscal years ending December 31, 2016 and 2017 is as follows:

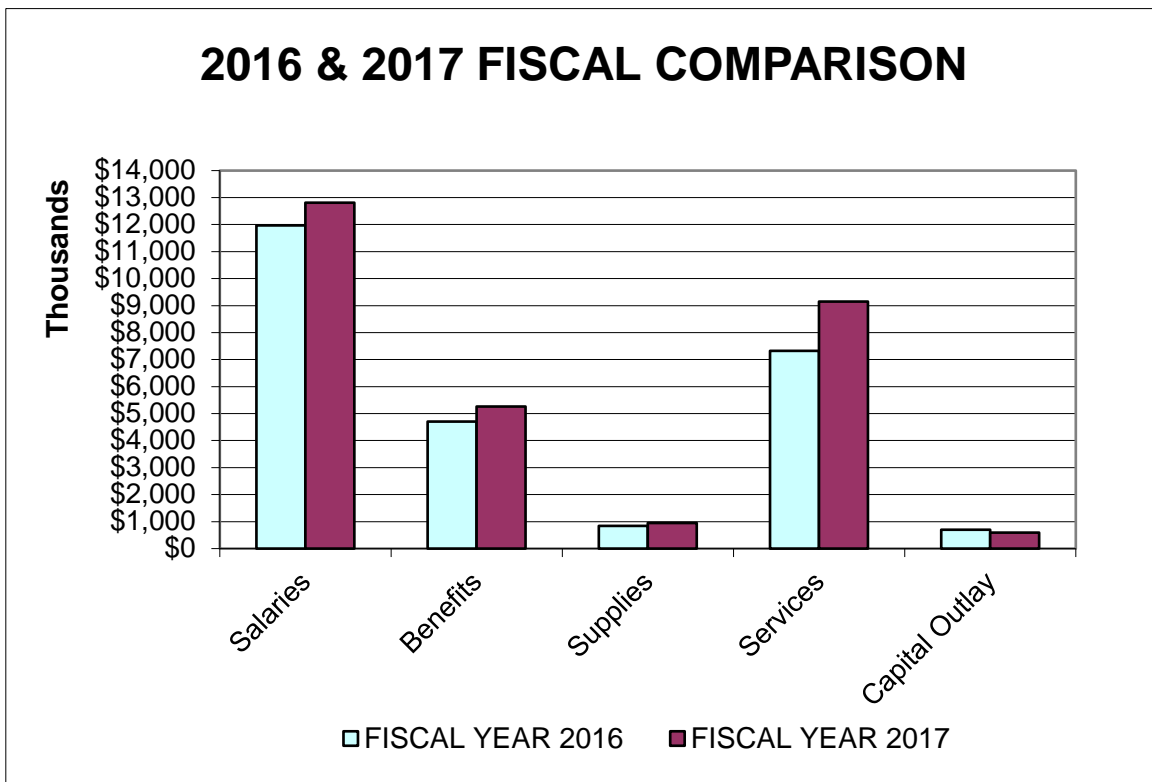


**Spokane Regional Health District  
Annual Report - Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2017**

The following chart shows expenditures by object for the fiscal year ended December 31, 2017:



A comparison of expenditures by object for fiscal years ending December 31, 2016 and 2017 is as follows:



# Spokane Regional Health District

## Annual Report - Management's Discussion and Analysis

### For the Fiscal Year Ended December 31, 2017

#### *Budget Variances in the General Fund*

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

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

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

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

A condensed summary of SRHD's 2017 original and final budget is presented below along with 2017 actual and a calculated variance with the final budget (in thousands):

	Original Budget	Final Budget	Actual Amounts	Variance Over(Under) Final Budget
General Fund Balance, January 1	\$ 7,358	\$ 7,358	\$ 8,351	\$ 993
Resources / Revenues	26,311	26,311	29,991	3,680
Appropriations / Expenditures	<u>26,706</u>	<u>26,706</u>	<u>28,768</u>	<u>2,062</u>
General Fund Balance, December 31	<u>\$ 6,963</u>	<u>\$ 6,963</u>	<u>\$ 9,574</u>	<u>\$ 2,611</u>

**Spokane Regional Health District**  
**Statement of Net Position**  
**December 31, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 7,292,923
Receivables (net)	4,673,596
Inventories	11,000
Capital Assets not being depreciated:	
Land	400,500
Capital Assets net of accumulated depreciation:	
Buildings & Structures	7,655,575
Leasehold Improvements	1,297,689
Machinery and Equipment	1,267,914
Software	-
Total Capital Assets	10,621,678
Total Assets	<b>\$ 22,599,197</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions*	<b>1,381,866</b>
<b>LIABILITIES</b>	
Accounts Payable	1,244,580
Due To Other Governmental Units	201,590
Accrued Employee Benefits	182,048
Employee Flex Spending Withholding Payable	19,826
Accrued Employee Vacation & Sick	987,972
Net Pension Liability	8,739,682
Net OPEB Liability*	7,775,234
Total Liabilities	19,150,931
<b>DEFERRED INFLOWS of RESOURCES</b>	
Advance payments of permit fee	755,604
Deferred Inflows Related to Pensions	1,683,488
Total Deferred Inflows of Resources	<b>2,439,092</b>
<b>NET POSITION</b>	
Net Investment In capital assets	10,621,678
Unrestricted (Deficit)	(8,230,639)
Total Net Position	<b>\$ 2,391,040</b>

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

\*Implementation of GASB 45

**Spokane Regional Health District**  
**Statement of Activities**  
**Year Ended December 31, 2017**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net Revenue (Expense) & Changes In Net Position
			Charges For Services	Capital Grants & Contributions	Operating Grants & Contributions	
Community & Family Services	7,697,736	\$ 371,788	\$ 304	\$ -	\$ 7,631,473	\$ (437,747.56)
Health Promotion	5,188,409	382,399	696	-	4,828,102	(742,010)
Treatment Services	3,660,415	386,473	4,586,651	-	142,437	682,200
Environmental Public Health	3,396,255	359,109	3,198,087	-	291,200	(266,077)
Disease Prevention & Response	4,217,650	-	275,357	-	2,659,461	(1,725,835)
Administration	4,358,524	(1,942,772)	451,365	-	269,671	(1,694,716)
<b>Total Functions</b>	<b>\$ 28,518,991</b>	<b>\$ -</b>	<b>\$ 8,512,461</b>	<b>\$ -</b>	<b>\$ 15,822,343</b>	<b>(4,184,187)</b>

<b>General Revenues:</b>	
State Funded Local Government Assistance	3,165,343
County Assessment	2,417,377
Interest	73,276
<b>Total General Revenues</b>	<b>5,655,997</b>
<b>Changes In Net Position</b>	<b>1,471,809</b>
<b>Net Position - Beginning</b>	<b>8,046,520</b>
<b>Prior Period Adjustment*</b>	<b>(7,127,289)</b>
<b>Adjusted Net Position - Beginning</b>	<b>919,231</b>
<b>Net Position - Ending</b>	<b>\$ 2,391,040</b>

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

\*Implementation of GASB 45

**Spokane Regional Health District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

	General Fund
<b>ASSETS and OUTFLOWS of RESOURCES</b>	
Cash & Cash Equivalents	7,254,782
Employee Flex Fund	19,826
Imprest Cash Funds	18,315
Receivables, Net	118,534
Due from Other Governments	4,555,062
Inventories:	
US Postal Fund	11,000
<b>Total Assets and Deferred Outflows of Resources</b>	<b>11,977,518</b>
<b>LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	
<b>Liabilities:</b>	
Accrued Employee Benefits	182,048
Accounts Payable	1,244,580
Due to Other Governments	201,590
Employee Flex Fund	19,826
<b>Total Liabilities</b>	<b>1,648,044</b>
<b>Deferred Inflows of Resources</b>	<b>755,604</b>
<b>Fund Balances:</b>	
Committed Fund Balance	1,500,000
Unassigned Fund Balance	5,843,456
Assigned Fund Balance	2,230,414
<b>Total Fund Balances</b>	<b>9,573,871</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 11,977,518</b>

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

**Spokane Regional Health District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended December 31, 2017**

	GENERAL FUND
<b>REVENUES</b>	
Licenses and Permits	2,868,625
Federal Grants	8,060,329
State Grants	7,674,433
Intergovernmental Revenues	3,165,343
Interlocal Grants, Entitlements, Impact Payments	2,417,377
Charges For Goods And Services	5,642,695
Miscellaneous	161,999
<b>Total Revenues</b>	<b>29,990,801</b>
<b>EXPENDITURES</b>	
Current:	
Administration	1,960,450
Community and Family Services	8,118,560
Health Promotion	5,598,069
Treatment Services	4,042,647
Environmental Public Health	3,783,407
Disease Prevention and Response	4,678,162
Capital Outlay	586,622
<b>Total Expenditures</b>	<b>28,767,917</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,222,883</b>
<b>Net Change in Fund Balance</b>	<b>1,222,883</b>
<b>Fund Balance - Beginning</b>	<b>8,350,987</b>
<b>Fund Balance - Ending</b>	<b>9,573,870</b>

Reconciliation of amounts reported on this statement and government wide statement of activities:	
Net change in fund balance	1,222,883
Purchase of capital assets expensed on fund statements which are capitalized on government-wide statements	586,622
Disposals of capital assets	-
Accrued leave expensed on government-wide statements	(49,485)
Depreciation expensed on government-wide statements	(492,183)
Pension Expense	851,917
Decrease(increase) to the liability for the net OPEB obligation*	(647,945)
Change in net position - governmental-wide statement of net activities	1,471,809

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

\*Implementation of GASB 45

**Spokane Regional Health District**  
**Reconciliation**  
**Balance Sheet/Statement of Net Position**  
**December 31, 2017**

	General Fund Totals	Long-Term Assets, Liabilities	Statement of Net Position Totals
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 7,254,782		\$ 7,292,923
Employee Flex Fund	19,826		
Imprest Cash Funds	18,315		
Receivables (net)	118,534		4,673,596
Due from Other Governments	4,555,062		
Inventories	11,000		11,000
Capital Assets not being depreciated:			
Land		400,500	400,500
Capital Assets net of accumulated depreciation:			
Buildings & Structures		7,655,575	7,655,575
Leasehold Improvements		1,297,689	1,297,689
Machinery and Equipment		1,267,914	1,267,914
Software		-	-
Total Capital Assets		10,621,678	10,621,678
<b>Total Assets</b>	<b>11,977,518</b>	<b>10,621,678</b>	<b>22,599,197</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions*		1,381,866	1,381,866
<b>Total Assets &amp; Deferred Outflows</b>	<b>\$ 11,977,518</b>	<b>\$ 12,003,544</b>	<b>\$ 23,981,063</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,244,580		\$ 1,244,580
Due To Other Governmental Units	201,590		201,590
Accrued Employee Benefits	182,048		182,048
Employee Flex Spending Withholding Payable	19,826		19,826
Accrued Employee Vacation & Sick			987,972
Net Pension Liability			8,739,682
Net OPEB liability*		7,775,234	7,775,234
<b>Total Liabilities</b>	<b>1,648,044</b>	<b>7,775,234</b>	<b>19,150,931</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Advance payments of permit fee	755,604		755,604
Deferred Inflows Related to Pensions*		1,683,488	1,683,488
<b>Total Deferred Inflows of Resources</b>	<b>755,604</b>	<b>1,683,488</b>	<b>2,439,092</b>
<b>FUND BALANCES/NET POSITION</b>			
Total Fund Balances/Net Position	9,573,871	2,544,823	2,391,040
<b>Total Liabilities and Fund Balances/Net Position</b>	<b>\$ 11,977,518</b>	<b>\$ 12,003,544</b>	<b>\$ 23,981,063</b>

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

\*Implementation of GASB 45



**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

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

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

**A. Reporting Entity**

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Interest and general government revenue not properly included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**D. Budgetary Information**

**1. Scope of Budget**

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

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

**2. Procedures for Adopting the Original Budget**

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

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

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

**3. Amending the Budget**

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

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.

**4. Excess of Expenditures Over Appropriations**

The District's 2017 original budget of \$26,706,866 included a fund balance decrease of \$395,994. The District's actual expenses of \$28,767,917 and actual revenues of \$29,990,801 resulted in a \$1,222,883 actual fund balance increase. The District's actual expenditures exceeded the original budgeted expenditures by \$2,061,047. The District's actual revenues exceeded the original budgeted revenues by \$3,019,435. There was no budget amendment in 2017 due to position restructures and the implementation of budget software that would replace the manual excel budget process. The budgeting software was used in the development and implementation of the 2018 original budget and 2018 revised budget.

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**E. Assets, Liabilities and Equities**

1. Cash and Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2017, the treasurer was holding \$7,274,608 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and equivalents and employee flex fund. The interest on these investments is credited to the general fund. Of this amount, however, \$410,944 is unearned 2018 permit revenue for the Environmental Public Health Division and \$344,661 represents grants paid in advance for several projects that are ongoing until the full award has been spent. For purposes of these statements, the District considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

2. Receivables

The Health District provides client services that are provided on a fee for service basis. The receivable for client accounts has been recorded in the District's financial statements net of the estimated uncollectible amounts. Estimated uncollectible receivable for client accounts at December 31, 2017 was \$12,811.

3. Amounts Due to and from Other Governmental Units

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

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

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The district defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

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

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

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

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

6. Compensated Absences

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

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

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

7. Fund Balance

In 2011, the District implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This standard changes the classifications of fund balance in **governmental funds** from designated and undesignated to nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance is defined as amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance is defined as amounts restricted for a specific purpose by either an external source or enabling legislation.

Committed fund balance is defined as amounts that can be only used for a specific purpose imposed through formal action of the government's highest level of decision making authority.

Assigned fund balance is defined as amounts that are constrained by the government's intent for a specified purpose authorized by someone to whom the governing body has delegated authority to.

Unassigned fund balance represents all remaining fund balance not classified in one of the other categories. Unassigned fund balance is only present in the General Fund or to report a negative fund balance in another governmental fund type.

Fund Balance Classifications

For committed fund balance, the highest level of decision making authority is the Board of Health. Commitments represent formal actions taken by the Board of Health to commit funds for specific purposes. Funds that have been committed cannot be used for another purpose unless the Board of Health passes a resolution to end the commitment. The committed fund balance is Board directed for public health emergency response.

The assigned fund balance is management's intention to use the funds for a specific purpose in the future. The assigned fund balance includes funds for local capacity development, building improvements, replacement of vehicles, as well as for software/system upgrades and strategic planning.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

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

**9. Reporting Changes**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, was implemented for the year ended December 31, 2017. This Statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

**10. Long-term Liabilities**

During the fiscal year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance 12/31/16	Additions	Reductions	Ending Balance 12/31/17
OPEB	\$ 7,127,289	\$ 732,023	\$ 84,078	\$ 7,775,234

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

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

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

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

	Cost	Accum. Depr	Net
Land	\$ 401		\$ 401
Buildings and Structures	8,059	403	7,656
Leasehold Improvements	2,018	720	1,298
General Fixed Assets	4,478	3,211	1,267
Software	78	78	-
Total	<u>\$ 15,034</u>	<u>\$ 4,412</u>	<u>\$ 10,622</u>

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

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

	<u>Amount</u>
Accrued Leave	\$ 988
Total	<u>\$ 988</u>

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

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

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

	<u>Amount</u>	
Operating Equipment	\$ 521,555	
Leasehold Improvements	65,067	
Total	<u>\$ 586,622</u>	

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

	<u>Amount</u>
Administration	\$ 13
Community & Family Services	\$ (24)
Health Promotion	\$ 5
Treatment Services	\$ 32
Environmental Public Health	\$ 5
Disease Prevention & Response	\$ 18
Total	<u>\$ 49</u>

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

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

	<u>Amount</u>
Administration	\$ 479
Community & Family Services	8
Health Promotion	-
Treatment Services	3
Environmental Public Health	-
Disease Prevention & Response	<u>2</u>
Total	<u>\$ 492</u>

### NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

### NOTE 4 - DEPOSITS AND INVESTMENTS

The District is a participant in the Spokane County Investment Pool (SCIP), an external investment pool. The District reports its investment in the Pool at the cost amount. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the Board of County Commissioners. The county external investment pool does not have a credit rating.

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

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

All temporary investments are stated at cost and classified as cash and equivalents in the financial statements.

In accordance with State law, the District's governing body has a formal interlocal agreement with the District's *ex officio* treasurer, Spokane County, to have all its funds not required for immediate expenditure to be invested in the Spokane County Investment Pool (SCIP):

As of December 31, 2017, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>	<u>Weighted-Average Maturity</u>
Spokane County Investment Pool	\$7,227,323	1.07 years	1.10 years

**Interest Rate Risk.** As of December 31, 2017, the Pool's average duration was 1.07 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average maturity, no longer than two and one-half years. The weighted-average maturity of SCIP on 12/31/18 was 1.10 years. While the Pool's market value is calculated monthly, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

**Credit Risk.** As of December 31, 2017, the District's investments in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, the SCIP Investment Policy authorizes investments in the U.S. Treasury securities, U.S. agency securities, municipal securities (rated in one of the three highest ratings by an NRSRO at the time of purchase), certificates of deposits or bank deposits of qualified public depositories, repurchase agreements, corporate notes, commercial paper, Direct District Notes and the Local Government Investment Pool managed by the Washington State Treasurer's office.

## NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

### A. General Policies

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

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

### B. Capital Asset Activity

Capital assets activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Balance 1/01/17	Increases	Decreases	Balance 12/31/17
Capital assets not depreciated:				
Land	\$ 400,500	\$ -		\$ 400,500
Capital assets being depreciated:				
Building and Structures	\$ 8,058,500	\$ -		8,058,500
Operating Equipment	2,920,965	521,555		3,442,520
Computer Equipment	943,284	-		943,284
Vehicles	79,353	-		79,353
Furniture	13,883	-		13,883
Software	78,275	-		78,275
Leasehold Improvements	1,952,764	65,067		2,017,831
Total Capital Assets	\$ 14,447,524	\$ 586,622	\$ -	\$ 15,034,146
Less Accumulated Depreciation:				
Building and Structures	\$ 241,755	\$ 161,170	\$ -	402,925
Operating Equipment	1,856,133	238,069	-	2,094,202
Computer Equipment	985,742	25,410	-	1,011,152
Vehicles	84,289	-	-	84,289
Furniture	21,482	-	-	21,482
Software	77,153	1,122	-	78,275
Leasehold Improvements	653,731	66,412	-	720,143
Total Accumulated Depreciation	\$ 3,920,285	\$ 492,183	\$ -	\$ 4,412,468
Net Capital Assets	\$ 10,527,239	\$ 94,439	\$ -	\$ 10,621,678



**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**C. Depreciation**

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

<u>Governmental Activities:</u>	<u>Amount</u>
Administration	\$ 478,700
Community & Family Services	7,848
Health Promotion	-
Treatment Services	3,420
Environmental Public Health	-
Disease Prevention & Response	2,215
Total	<u>\$ 492,183</u>

**NOTE 6 – LEASES**

**A. Operating Leases**

The District leases one color copier under noncancellable operating leases. Total cost for the lease was \$6,917 for the year ended December 31, 2017. The 60 month lease is through a purchasing cooperative agreement through the State of Washington. The lease maintenance fees are based on the usage with no minimum fee.

Year	Lease Payments
2018	6,917.16
2019	6,917.16
2020	2,305.72

**NOTE 7 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension Liabilities	\$ 8,739,488
Pension Assets	\$
Deferred Outflows of Resources	\$ 1,381,866
Deferred Inflows of Resources	\$ 1,683,488
Pension Expense/Expenditures	\$ 608,343

**State Sponsored Pension Plans**

Substantially all District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

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

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

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

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

#### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

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

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>

\*For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017.

The *District's* actual PERS plan contributions were \$623,952 to PERS Plan 1 and \$858,653 to PERS Plan 2/3 for the year ended December 31, 2017.

#### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

#### Discount Rate

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

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

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

#### Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

#### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

#### Sensitivity of the Net Pension Liability/(Asset)

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

Pension Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 5,617,982	\$ 4,611,741	\$ 3,740,121
PERS 2/3	\$ 11,121,104	\$ 4,127,941	\$ (1,601,920)

#### Pension Plan Fiduciary Net Position

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

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

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

At June 30, 2017, the District reported a total pension liability of \$8,739,682 for its proportionate share of the net pension liabilities as follows:

Pension Plan	Liability or (Asset)
PERS 1	\$ 4,611,741
PERS 2/3	\$ 4,127,941

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

Pension Plan	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.100433 %	0.097190 %	-0.003243%
PERS 2/3	0.122157 %	0.118806 %	-0.003351%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

### **Pension Expense**

For the year ended December 31, 2017, the District recognized pension expense as follows:

Pension Plan	Pension Expense
PERS 1	\$ 112,968
PERS 2/3	\$ 495,375
TOTAL	\$ 608,343

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

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$172,097
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$324,448	\$
<b>TOTAL</b>	<b>\$324,448</b>	<b>\$172,097</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$418,258	\$135,761
Net difference between projected and actual investment earnings on pension plan investments	\$	\$1,100,410
Changes of assumptions	\$43,847	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$130,915	\$275,220
Contributions subsequent to the measurement date	\$464,399	\$
<b>TOTAL</b>	<b>\$1,057,418</b>	<b>\$1,511,390</b>

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Amortization of Other Deferred Outflows and Inflows</b>		
<b>Year</b>	<b>PERS1</b>	<b>PERS2/3</b>
2018	(116,327)	(507,014)
2019	36,726	113,641
2020	(8,527)	(103,342)
2021	(83,969)	(462,165)
2022		17,612
Thereafter		22,896
<b>Total (DI)/DO</b>	<b>(172,097)</b>	<b>(918,371)</b>

# **Spokane Regional Health District**

## **Notes to Financial Statements**

### **January 1, 2017 to December 31, 2017**

#### **NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Washington State (State), through the Health Care Authority (HCA), administers an agent multiple-employer other post-employment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB established eligibility criteria for both active employees and retirees. Benefits purchased through PEBB include medical, dental, life and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

Employers participating in the PEBB OPEB plan include the State, K-12 school districts, and political subdivisions of the state. The District's retirees are eligible to participate in the PEBB OPEB plan under this arrangement.

#### **Plan Description**

The Spokane Regional Health District Health Plan (the Health Plan) is a single-employer defined benefit healthcare plan administered by the District. The Health Plan provides access to the District's medical plans and a cash subsidy for retirees eligible for Medicare. The Health Plan's actuary is Healthcare Actuaries. The Health Plan does not issue a separate stand-alone financial report.

#### **Eligibility**

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

#### **Summary of Benefits**

The District participates as a local government employer in the program of benefits for state and local government employees provide through PEBB. The program is administered by the HCA. The District pays premiums only for its active employees, and does not directly make any payments on behalf of its retirees. However, under this program, HCA directs a portion of the active premiums received from all employers to a fund for retiree coverage.

The PEBB OPEB plan is available to District employees who elect to continue coverage and to pay the administratively established premiums at the time they retire under the provisions of the State retirement system and plan to which they belong (i.e., PERS Plans 1, 2 or 3). Retiree's access to the PEBB OPEB plan depends on the retirement eligibility of their respective system and plan.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue to participate in the State's non-Medicare community-related health insurance risk pool on a self-pay basis, and receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims cost and the premium paid by retirees.

#### **Funding Policy**

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers, including the District. The subsidies provide monetary assistance for medical



# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

benefits. Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the calculation of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for the year ended December 31, 2017:

Normal Cost – Entry-Age Normal Method	\$503,624	
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	228,399	
ARC	732,023	
Interest on Net OPEB Obligation		
Adjustment to Annual Required Contribution (ARC)		
Annual OPEB Cost (Expense)	732,023	
Contributions Made	(84,078)	
Increase in Net OPEB Obligation	647,945	
Net OPEB Obligation – Beginning of Year	\$7,127,289	
Net OPEB Obligation – End of Year	\$7,775,234	

The following table shows the District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health Plan, and the net OPEB obligation for the three most recent fiscal years:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual District Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
December 31, 2017	\$ 732,023	\$ 84,078	11.49%	\$7,775,234
December 31, 2016	N/A	N/A	N/A	\$7,127,289
December 31, 2015				

#### Funded Status and Funding Progress:

The funded status of the Health Plan as of December 31, 2017 follows:

Actuarial Accrued Liability (AAL)-Entry-Age Normal	\$ 7,775,234
Actuarial Value of Plan Assets	
Unfunded Actuarial Accrued Liability (UAAL)	\$ 7,775,234
Funded Ratio (Actuarial Value of Plan Assets /AAL)	0.00%
Covered Payroll	\$ 11,952,521
UAAL as a Percentage of Covered Payroll	65.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB 45 requires that the schedule of funding progress, presented as required additional

# Spokane Regional Health District

## Notes to Financial Statements

### January 1, 2017 to December 31, 2017

information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial Methods and Assumptions

The basis for projections of benefits for financial reporting purposes is the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's actuarial valuation information is as follows:

Current valuation date:	June 30, 2017	
Actuarial Cost Method:	Entry-Age Normal	
Amortization Method	Closed	
Initial amortization period	30	
Remaining amortization period:	30	
Asset valuation method:	Not applicable	
Actuarial assumptions:	Not applicable	
Investment rate of return:	Not applicable	
<u>Healthcare cost trend rate</u>	<u>Pre-Medicare</u>	<u>Medicare</u>
5.60%	6.70%	6.80%
5.80%	6.70%	7.40%
5.90%	7.00%	7.40%
6.00%	5.50%	5.40%
6.00%	5.50%	5.40%
...	5.50%	5.50%
Discount rate	3.25%	
Inflation assumption	2.50%	

#### **NOTE 9 - RISK MANAGEMENT**

Spokane Regional Health District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2017, there are 540 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

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

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

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

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

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

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

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

#### **NOTE 10 - CONTINGENCIES AND LITIGATIONS**

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

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

#### **NOTE 11 – OTHER DISCLOSURES**

*Governmental Accounting Standards Board Statement No. 45 (GASB No. 45) Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pension* has been implemented for the fiscal year ending December 31, 2017.

As a result of this, the District has recorded \$7,127,289 as a prior period adjustment.

**Spokane Regional Health District**  
**Notes to Financial Statements**  
**January 1, 2017 to December 31, 2017**

**NOTE 12 - RECEIVABLE AND PAYABLE BALANCES**

**A. Receivables**

	Amount
Client Service Accounts	\$ 1,281,093
Other Accounts	118,534
Due From Other Governments	<u>3,273,969</u>
Total	<u>\$ 4,673,596</u>

**B. Payables**

	Amount
Vendors	\$ 1,244,580
Salaries & Benefits	201,873
Due to Other Governments	<u>201,590</u>
Total	<u>\$ 1,648,043</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Spokane Regional Health District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2017**

	BUDGETED AMOUNTS		ACTUAL AMOUNT	FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Licenses and Permits	2,273,792	2,273,792	2,868,625	594,833
Federal Grants	7,881,947	7,881,947	8,060,329	178,382
State Grants	5,609,450	5,609,450	7,674,433	2,064,983
Intergovernmental Revenues	3,261,719	3,261,719	3,165,343	(96,376)
Interlocal Grants, Entitlements, Impact Payments	2,193,307	2,193,307	2,417,377	224,070
Charges For Goods And Services	4,961,106	4,961,106	5,642,695	681,589
Miscellaneous	129,551	129,551	161,999	32,448
<b>Total Revenues</b>	<b>26,310,872</b>	<b>26,310,872</b>	<b>29,990,801</b>	<b>3,679,929</b>
<b>EXPENDITURES</b>				
Current:				
Administration	1,979,855	1,979,855	1,960,450	(19,405)
Community and Family Services	7,608,355	7,608,355	8,118,560	510,205
Health Promotion	5,595,059	5,595,059	5,598,069	3,010
Treatment Services	3,805,539	3,805,539	4,042,647	237,108
Environmental Public Health	3,640,929	3,640,929	3,783,407	142,478
Disease Prevention and Response	3,905,689	3,905,689	4,678,162	772,473
Capital Outlay	171,440	171,440	586,622	415,182
<b>Total Expenditures</b>	<b>26,706,866</b>	<b>26,706,866</b>	<b>28,767,917</b>	<b>2,061,051</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(395,994)</b>	<b>(395,994)</b>	<b>1,222,883</b>	<b>1,618,877</b>
<b>Net Change in Fund Balance</b>	<b>(395,994)</b>	<b>(395,994)</b>	<b>1,222,883</b>	<b>1,618,877</b>
<b>Fund Balance - Beginning</b>	<b>7,358,446</b>	<b>7,358,446</b>	<b>8,350,987</b>	<b>9,065,725</b>
<b>Fund Balance - Ending</b>	<b>6,962,452</b>	<b>6,962,452</b>	<b>9,573,870</b>	<b>10,684,602</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Spokane Regional Health District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**As of June 30**

	2017	2016	2015
<b>PERS 1</b>			
SRHD's Proportion of the Net Pension Liability	.09719%	.100433%	.093114%
SRHD's Proportionate Share of the Net Pension Liability	\$ 4,611,741	\$ 5,393,725	\$ 4,870,703
SRHD's Covered-Employee Payroll	\$ 11,979,286	\$ 11,671,666	\$ 10,972,885
SRHD's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	38.50%	46.21%	44.39%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	61.24%	57.03%	59.10%
<b>PERS 2/3</b>			
SRHD's Proportion of the Net Pension Liability	.118806%	.122157%	.116122%
SRHD's Proportionate Share of the Net Pension Liability	\$ 4,127,941	\$ 6,150,508	\$ 4,149,117
SRHD's Covered-Employee Payroll	\$ 11,979,286	\$ 11,671,666	\$ 10,972,885
SRHD's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	34.46%	52.70%	37.81%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	90.97%	85.82%	89.20%

**REQUIRED SUPPLEMENTARY INFORMATION****Spokane Regional Health District  
Schedule of District Contributions  
As of December 31**

	2017	2016	2015
<b>PERS 1</b>			
Actuarially/statutorily/contractually determined contribution	\$ 623,952	\$ 574,477	\$ 516,937
Actual contribution in relation to the above	\$ 623,952	\$ 574,477	\$ 516,937
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 12,499,324	\$ 11,674,274	\$ 11,489,345
Contributions as a % of covered-employee payroll	4.99%	4.92%	4.50%
<b>PERS 2/3</b>			
Actuarially/statutorily/contractually determined contribution	\$ 858,653	\$ 730,267	\$ 655,235
Actual contribution in relation to the above	\$ 858,653	\$ 730,267	\$ 655,235
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 12,499,324	\$ 11,674,274	\$ 11,489,345
Contributions as a % of covered-employee payroll	6.87%	6.26%	5.70%

**REQUIRED SUPPLEMENTARY INFORMATION****Spokane Regional Health District****Schedule of Funding Progress for Other Post Employment Benefits (OPEB):**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry- Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll
12/31/2017	\$ -	\$ 7,775,234	\$ 7,775,234	0%	\$ 11,952,521

GASB 45 was implemented for the fiscal year ended December 31, 2017. The actuarial method used in the Schedule of Funding Progress for Other Post Employment Benefits is disclosed in the Notes to the Financial Statements Note 8.



**REQUIRED SUPPLEMENTARY INFORMATION****Spokane Regional Health District****Schedule of Employer Contributions for Other Post Employment Benefits (OPEB):**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Actual District Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
December 31, 2017	\$ 732,023	\$ 84,078	11.49%	\$ 7,775,234
December 31, 2016				\$ 7,127,289
December 31, 2015				

GASB 45 was implemented for the fiscal year ended December 31, 2017. The actuarial method used in the Schedule of Employer Contributions for Other Post Employment Benefits is disclosed in the Notes to the Financial Statements Note 8.

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
National Institute Of Food And Agriculture, Department Of Agriculture (via Washington State Department of Health)	Food Insecurity Nutrition Incentive Grants Program	10.331	C17127	41,384	-	41,384	-	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17127	2,123,055	-	2,123,055	-	
<b>SNAP Cluster</b>								
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Social and Health Services)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1669-75084-1	1,373,750	-	1,373,750	950,446	
<b>Total SNAP Cluster:</b>				<b>1,373,750</b>	<b>-</b>	<b>1,373,750</b>	<b>950,446</b>	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17127	2,246	-	2,246	-	
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9103	81,343	-	81,343	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8940	6,298	-	6,298	-	

**Spokane Regional Health District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-9011	84,523	-	84,523	-
<b>Total Highway Planning and Construction Cluster:</b>						<b>172,164</b>	-
<b>Transit Services Programs Cluster</b>							
Federal Transit Administration (fta), Department Of Transportation (via Spokane Transit Authority)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	7,160	-	7,160	-
<b>Total Transit Services Programs Cluster:</b>						<b>7,160</b>	-
Office Of Special Education And Rehabilitative Services, Department Of Education (via Washington State Department of Early Learning)	Special Education- Grants for Infants and Families	84.181	18-1022-01	557,252	-	557,252	-
Office Of The Secretary, Department Of Health And Human Services (via NACCHO)	Medical Reserve Corps Small Grant Program	93.008	MRC 17-0173	13,000	-	13,000	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17127	502,202	-	502,202	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17127	94,928	-	94,928	-

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	187000	142,523	-	142,523	-	3
		<b>Total CFDA 93.268:</b>		<b>237,451</b>	-	<b>237,451</b>	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	C17127	263,061	-	263,061	-	
Office Of The Secretary, Department Of Health And Human Services (via Planned Parenthood of Greater Washington and North Idaho)	Teenage Pregnancy Prevention Program	93.297	TP1AH000135- 01-00	45,750	-	45,750	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	PPHF 2018: Office of Smoking and Health- National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305	C17127	23,703	-	23,703	-	
<b>Maternal, Infant, and Early Childhood Home Visiting Cluster</b>								
Health Resources And Services Administration, Department Of Health And Human Services (via Thrive by Five)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	497	349,028	-	349,028	-	
Health Resources And Services Administration, Department Of Health And Human Services (via Community Minded Enterprises)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	N/A	37,618	-	37,618	-	

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 93.505:	386,646	-	386,646	-	
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Early Learning)	Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	18-1051	371,216	-	371,216	-	
	<b>Total Maternal, Infant, and Early Childhood Home Visiting Cluster:</b>			<b>757,862</b>	-	<b>757,862</b>	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C-17127	24,321	-	24,321	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via University of Washington)	ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	93.638	N/A	2,100	-	2,100	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C-17127	3,078	-	3,078	-	

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	C17127	345,483	-	345,483	163,415
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	C17127	31,183	-	31,183	5,850
<b>Medicaid Cluster</b>							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K775-002	23,875	-	23,875	-
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K14149	362,400	-	362,400	163,725
<b>Total Medicaid Cluster:</b>				<b>386,275</b>	<b>-</b>	<b>386,275</b>	<b>163,725</b>
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Organized Approaches to Increase Colorectal Cancer Screening	93.800	C17127	39,965	-	39,965	-

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Expenditures						Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	93.815	C17127	145,537	-	145,537	-	
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	C17127	44,973	-	44,973	-	
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C17127	415,526	-	415,526	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	HIV Prevention Activities Health Department Based	93.940	C17127	59,992	-	59,992	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Spokane County)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	17BHO2139	142,437	-	142,437	-	4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	C17127	81,779	-	81,779	-	

**Spokane Regional Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)		Maternal and Child Health Services Block Grant to the States	93.994	C17127	360,163	-	360,163	-
<b>Total Federal Awards Expended:</b>						<b>8,202,852</b>	<b>-</b>	<b>8,202,852</b>
							<b>1,283,436</b>	



**Spokane Regional Health District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**January 1, 2017 - December 31, 2017**

**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 - PROGRAM COSTS**

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

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

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

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

The district received revenue from the state for the Title XIX and Medicare services provided to eligible clients in the amount of \$4,130,548. This is not documented on the federal schedule, as this is a fee for service revenue only.

**NOTE 5 INDIRECT COST RATE**

The Spokane Regional Health District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The Spokane Regional Health District uses a Washington State Department of Health approved indirect cost rate of 14.1% which is applied to each CFDA number on this schedule.

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

**Spokane Regional Health District  
Spokane County**

**January 1, 2017 through December 31, 2017**

This schedule presents the corrective action planned by the Health District for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The District did not report the liabilities related to its other post-employment benefits in accordance with governmental accounting standards.
<b>Name, address, and telephone of Health District contact person:</b> Kim Kramarz, Accounting Manager Spokane Regional Health District 1101 West College Avenue Spokane, WA 99201	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Spokane Regional Health District will implement changes to the existing financial statement processes to ensure the correct and applicable GASBs are properly recorded.</i>	
<b>Anticipated date to complete the corrective action:</b> 3/1/19	

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>