Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Grant County Public Hospital District No. 4
(McKay Healthcare and Rehabilitation Center)

For the period January 1, 2016 through December 31, 2017

Published August 12, 2019

Report No. 1024429

Office of the Washington State Auditor
Pat McCarthy

August 12, 2019

Board of Directors
McKay Healthcare and Rehabilitation Center
Soap Lake, Washington

Report on Financial Statements

Please find attached our report on McKay Healthcare and Rehabilitation Center's financial statements.

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

McKay Healthcare and Rehabilitation Center
January 1, 2016 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

<table>
<tr><td>Audit Period: January 1, 2014 through December 31, 2015</td><td>Report Ref. No.: 1018748</td><td>Finding Ref. No.: 2015-001</td></tr>
<tr><td colspan="3">Finding Caption: The Center’s controls over financial statement preparation were inadequate to ensure accurate financial reporting.</td></tr>
<tr><td colspan="3">Background:
Management is responsible for designing, implementing, and maintaining internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting.

Our audit identified a material weakness in controls over financial statement reporting that affected the Center’s ability to produce reliable financial statements. Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate material weaknesses, defined in the Applicable Laws and Regulations section below, as a finding.

The previous six audits reported weaknesses in the Center’s internal controls over financial reporting and insufficient records supporting financial amounts. We issued a disclaimer of opinion on the Center’s financial statements from 2004 through 2010. We were able to provide an unmodified opinion on the financial statements from 2011 through 2013.</td></tr>
<tr><td colspan="3">Status of Corrective Action:
☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="3">Corrective Action Taken:
Consolidated Billing Services, Inc. (CBSI) sent 2 employees to BARS training in 2018: one on October 16, 2018 and another on March 7, 2018. On July 24, 2017, CBSI’s entire accounting staff attended a webinar on Budgeting, Accounting and Reporting BARS Expenditures. McKay had 2 employees, the Superintendent and Business Office Manager, attend a BARS roundtable training in Wenatchee on October 24, 2017.</td></tr>
</table>

In addition to the classes described above, CBSI purchased books on Government Accounting standards as continuing professional education (CPE) materials and for future reference.

In addition to the class described above, the Administrator at McKay also purchased books to assist with government accounting and continues to use the State Auditors website.

CBSI reports that they used additional time to incorporate issues from the prior audit and allow staff to complete BARS training so that all better understand the process prior to submitting BARS reports. Unfortunately, this resulted in submitting the BARS reports late this year. We will continue to provide McKay staff with an opportunity to review the BARS report before it is filed.

The issue with donated funds have been corrected from the prior audit. CBSI has implemented systems so that they better understand the substance of similar transactions.

CBSI's Account Analyst and the Center's Administrator are responsible for working with the Grant County Treasurer's Office – identifying timing issues and errors in deposits. CBSI follows up on this monthly and promptly works to resolve an issue should one arise. The Administrator also follows up in a timely manner on issues with the Treasurer as well. Communications are coordinated and usually include all three on emails so everyone is in the loop. Meetings are also held quarterly with the County Commissioners Office and the Treasurer to review McKay's positive progress toward reducing the County debt, understanding the software limitations, accounting and work flow issues facing the Treasurer's office.

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*

McKay Healthcare and Rehabilitation Center
January 1, 2016 through December 31, 2017

Board of Directors
McKay Healthcare and Rehabilitation Center
Soap Lake, 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 McKay Healthcare and Rehabilitation Center, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated July 22, 2019.

The Center has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinions on the basic financial statements are not affected by this missing information.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Pat McCarthy

Pat McCarthy
State Auditor
Olympia, WA

July 22, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

McKay Healthcare and Rehabilitation Center
January 1, 2016 through December 31, 2017

Board of Directors
McKay Healthcare and Rehabilitation Center
Soap Lake, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of McKay Healthcare and Rehabilitation Center, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed on page 11.

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 Center'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 Center'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 financial position of McKay Healthcare and Rehabilitation Center, as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matter of Emphasis Regarding Fiscal Sustainability

As discussed in Note 11 to the 2017 and 2016 financial statements, the Center continues to borrow from Grant County in the form of registered warrants, in order to pay for operations and to address cash flow shortages. As a result, there exists uncertainty about the Center's ability to maintain services at present levels under these conditions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019 on our consideration of the Center'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 Center's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

July 22, 2019

FINANCIAL SECTION

McKay Healthcare and Rehabilitation Center
January 1, 2016 through December 31, 2017

BASIC FINANCIAL STATEMENTS

Grant County Hospital District No. 4
(District)

STATEMENT OF NET POSITION
December 31, 2017

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$147,376
Short-Term Investments	8,769
Accounts Receivables (Net)	354,294
Receivables from Third Party Payers (Net)	97,916
Pledges and Other Receivables (Net)	0
Restricted Assets	8,660
Inventories	25,331
Prepayments	12,141
Other Current Assets	0
TOTAL CURRENT ASSETS	$654,487
Noncurrent Assets:	
Investments	0
Deferred Charges	0
Investment in Joint Venture(s)	0
____________________	0
Other Assets	0
Restricted Assets	0
Capital Assets Not Being Depreciated[1]	
Land	12,179
Construction in Progress	0
Capital Assets Being Depreciated:	
Improvements to Land	2,747
Buildings	851,478
Equipment	621,077
Intangible Assets	0
________________	0
Less Accumulated Depreciation	(1,069,259)
Total Capital Assets (Net)	418,222
TOTAL NONCURRENT ASSETS	418,222
TOTAL ASSETS	$1,072,709
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decrease in Fair Value of Hedging Derivatives	0

LIABILITIES	
Current Liabilities:	
Accounts Payable	$298,069
Payable to Third Party Payers	4,802
Payables from Restricted Assets	8,660
Compensated Absences	0
Claims and Judgments	0
Bonds, Notes and Loans Payable	0
Accrued Expenses	132,792
Other Current Liabilities	526,507
____________________	0
____________________	0
TOTAL CURRENT LIABILITIES	970,829
Noncurrent Liabilities:	
Payables from Restricted Assets	0
Compensated Absences	0
Claims and Judgments	0
Bonds, Notes and Loans Payable	0
Other Noncurrent Liabilities	0
____________________	0
TOTAL NONCURRENT LIABILITIES	0
TOTAL LIABILITIES	$970,829
DEFERRED INFLOWS OF RESOURCES	
Accumulated Increase in Fair Value of Hedging Derivatives	0
Deferred Service Concession Arrangement Receipts	0
TOTAL DEFERRED INFLOWS OF RESOURCES	$0
NET POSITION	
Net Investment in Capital Assets	$418,222
Restricted	2,761
_______________	_________________
_______________	_________________
Unrestricted	(319,103)
TOTAL NET POSITION	$101,880

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

MCAG No. 1465 **Grant County Hospital District No. 4**
(District)

STATEMENT OF NET POSITION
December 31, 2016

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$50,935
Short-Term Investments	8,640
Accounts Receivables (Net)	282,402
Receivables from Third Party Payers (Net)	49,392
Pledges and Other Receivables (Net)	0
Restricted Assets	18,627
Inventories	27,028
Prepayments	15,422
Other Current Assets	0
TOTAL CURRENT ASSETS	$452,446
Noncurrent Assets:	
Investments	0
Deferred Charges	0
Investment in Joint Venture(s)	0
____________________	0
Other Assets	0
Restricted Assets	0
Capital Assets Not Being Depreciated[1]	
Land	12,179
Construction in Progress	0
Capital Assets Being Depreciated:	
Improvements to Land	2,747
Buildings	816,401
Equipment	606,307
Intangible Assets	0
____________________	0
Less Accumulated Depreciation	(1,018,906)
Total Capital Assets (Net)	418,728
TOTAL NONCURRENT ASSETS	418,728
TOTAL ASSETS	$871,174
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decrease in Fair Value of Hedging Derivatives	0

LIABILITIES	
Current Liabilities:	
Accounts Payable	$227,895
Payable to Third Party Payers	19,992
Payables from Restricted Assets	18,627
Compensated Absences	0
Claims and Judgments	0
Bonds, Notes and Loans Payable	0
Accrued Expenses	143,053
Other Current Liabilities	594,138
____________________	0
____________________	0
TOTAL CURRENT LIABILITIES	1,003,705
Noncurrent Liabilities:	
Payables from Restricted Assets	0
Compensated Absences	0
Claims and Judgments	0
Bonds, Notes and Loans Payable	0
Other Noncurrent Liabilities	0
____________________	0
TOTAL NONCURRENT LIABILITIES	0
TOTAL LIABILITIES	$1,003,705
DEFERRED INFLOWS OF RESOURCES	
Accumulated Increase in Fair Value of	
Hedging Derivatives	0
Deferred Service Concession Arrangement	
Receipts	0
TOTAL DEFERRED INFLOWS OF RESOURCES	$0
NET POSITION	
Net Investment in Capital Assets	$418,728
Restricted	5,000
______________	________________
______________	________________
Unrestricted	(556,259)
TOTAL NET POSITION	$(132,531)

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

MCAG No. 1465 **Grant County Hospital District No. 4**
(District)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Fiscal Year Ended December 31, 2017

OPERATING REVENUES:	
Patient Revenue (Net)	$2,925,941
Other Operating Revenues	601,453
____________________	0
____________________	0
____________________	0
Total Operating Revenues	3,527,394
OPERATING EXPENSES:	
Salaries and Wages	1,746,224
Employee Benefits	499,912
Professional Services	403,754
Supplies	262,936
Utilities	89,418
Depreciation	50,353
Leases and Rentals	0
Other Operating Expenses	514,255
____________________	0
____________________	0
Total Operating Expenses	3,566,852
OPERATING INCOME (LOSS)	($39,458)

NONOPERATING REVENUES (EXPENSES):	
Property Taxes	275,533
Restricted Funds	(2,239)
Investment Income	576
(Interest Expense and Related Charges)	0
Income (Loss) of Joint Venture(s)	0
Gains (Losses) on Capital Asset Disposition	0
Other Nonoperating Revenues	0
(Other Nonoperating Expenses)	0
Total Nonoperating Revenues (Expenses)	273,870
Income before Contributions, Addition to Permanent and Term Endowments, Extraordinary and Special Items	234,412
Capital Contributions:	
Capital Grants	0
___________	0
Additions to Permanent and Term Endowments	0
Extraordinary Items	0
Special Items	0
CHANGE IN NET POSITION	234,412
TOTAL NET POSITION – beginning of the year	($132,531)
TOTAL NET POSITION – end of the year	$101,881

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

Grant County Hospital District No. 4
(District)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Fiscal Year Ended December 31, 2016

OPERATING REVENUES:	
Patient Revenue (Net)	$2,847,138
Other Operating Revenues	417,038
____________________	0
____________________	0
____________________	0
Total Operating Revenues	3,264,176
OPERATING EXPENSES:	
Salaries and Wages	1,628,457
Employee Benefits	486,289
Professional Services	267,595
Supplies	203,275
Utilities	69,187
Depreciation	53,327
Leases and Rentals	0
Other Operating Expenses	561,235
____________________	0
____________________	0
Total Operating Expenses	3,269,365
OPERATING INCOME (LOSS)	($5,189)

NONOPERATING REVENUES (EXPENSES):

Property Taxes	240,546
Restricted Funds	3,000
Investment Income	51
(Interest Expense and Related Charges)	0
Income (Loss) of Joint Venture(s)	0
Gains (Losses) on Capital Asset Disposition	0
Other Nonoperating Revenues	0
(Other Nonoperating Expenses)	0
Total Nonoperating Revenues (Expenses)	243,597
Income before Contributions, Addition to Permanent and Term Endowments, Extraordinary and Special Items	238,408
Capital Contributions:	
Capital Grants	0
___________	0
Additions to Permanent and Term Endowments	0
Extraordinary Items	0
Special Items	0
CHANGE IN NET POSITION	238,408
TOTAL NET POSITION – beginning of the year	($370,936)
TOTAL NET POSITION – end of the year	$(132,531)

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

Grant County Hospital District No. 4
(District)

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from patients	2,854,049
Payments to suppliers and contractors	(1,190,951)
Payments to employees	(2,256,397)
Adj Prior Period Revenue	0
Other Professional Services	0
Other receipts (payments)	577,993
Net cash provided (used) by operating activities	(15,306)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	275,533
Noncapital grants and contributions	(73,589)
Contributions – Restricted	(2,239)
Taxes Receivable	(48,524)
Change in Cash in Transit	0
Net cash provided (used) by noncapital financing activities	151,181
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	0
Proshare restricted to capital acquisitions	0
Capital grants and contributions	0
Changes in Capital Assets	(49,848)
Principal paid on capital debt	0
Change in Accum. Depreciation	0
Interest paid on capital debt	0
Other receipts (payments)	0
Net cash provided (used) by capital and related financing activities	(49,848)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	(129)
Interest	576
Net cash provided (used) by investing activities	447
Net increase (decrease) in cash and cash equivalents	86,474
Balances – beginning of the year	69,564
Balances – end of the year	156,038

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	(39,458)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	50,353
Adjust for Prior Year Revenue	0
Provision for bad debt	0
Change in assets and liabilities:	
Receivables, net	(71,892)
Inventories	1,697
Other assets	0
Accounts payable	54,984
Change in Resident Trust Liabilities	(9,967)
Change in Prepaid Insurance	9,238
Accrued expenses	0
Other liabilities related to operating activities	(10,261)
Net cash provided by operating activities	(15,306)

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

Grant County Hospital District No. 4
(District)

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from patients	2,869,145
Payments to suppliers and contractors	(912,025)
Payments to employees	(2,062,842)
Adj Prior Period Revenue	0
Other Professional Services	0
Other receipts (payments)	403,765
Net cash provided (used) by operating activities	298,044
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Property taxes	240,546
Noncapital grants and contributions	(703,180)
Contributions – Restricted	3,000
Taxes Receivable	(1,693)
Change in Cash in Transit	0
Net cash provided (used) by noncapital financing activities	(461,327)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	0
Proshare restricted to capital acquisitions	0
Capital grants and contributions	0
Changes in Capital Assets	(11,344)
Principal paid on capital debt	0
Change in Accum. Depreciation	0
Interest paid on capital debt	0
Other receipts (payments)	0
Net cash provided (used) by capital and related financing activities	(11,344)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	(154)
Purchases of investment	0
Interest	51
Net cash provided (used) by investing activities	(103)
Net increase (decrease) in cash and cash equivalents	(174,730)
Balances – beginning of the year	244,294
Balances – end of the year	69,564

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	(5,189)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	53,327
Adjust for Prior Year Revenue	0
Provision for bad debt	0
Change in assets and liabilities:	
Receivables, net	22,007
Inventories	(12,261)
Change in Resident Trust Liabilities	2,149
Change in Prepaid Insurance	(3,059)
Accounts payable	189,165
Accrued expenses	0
Other liabilities related to operating activities	51,904
Net cash provided by operating activities	298,044

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

Grant County Public Hospital District No. 4
(District)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

These Notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Grant County Public Hospital District No. 4 ("District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the most significant policies (including identification of those policies which result in material departures from GAAP):

a. Reporting Entity
District is a municipal corporation governed by an elected five (5) member board of commissioners ("Commission"). The District operates McKay Healthcare and Rehabilitation Center (McKay), a 42 bed licensed skilled nursing facility in Soap Lake, WA. As required by GAAP, management has considered all potential component units in defining the reporting entity (District has no component units).

b. Basis of Accounting and Presentation
The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Department of Health in the *Accounting and Reporting Manual for Hospitals*.

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

c. Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

d. Receivables
   a. Receivables are recorded when services are rendered. Receivables are reviewed at year-end and an allowance is booked as an estimate of uncollectible receivables.
   b. Collected:
      i. Insurance companies are billed once a month whether it is Medicaid, Medicare, and Group Insurance we bill after the month i.e. December is billed in January. Once Primary insurance is billed and paid, then secondary insurance is billed.
      ii. Private Pay is pre-billed once a month, after the previous month has closed. Then monthly statements are sent out about the 20th of each month to collect the next month's charges along with any outstanding charges.
   c. Reviewed:
      i. A/R is reviewed once a week to see what is still outstanding – follow up with the appropriate insurance company is made to check status 2-3 days after the claims were filed. Follow up is made on claims that are outside the 30 day processing timeframe and re-billed as needed until payment is made.

d. Bad Debts:
   i. If the resident is Medicare and has Medicaid as secondary insurance, there is a Medicare reimbursable bad debt to be written off. This is done when both the Medicare and Medicaid claims have completed processing. Reimbursement happens when the Medicare cost report is filed; 65% of the Medicare co-insurance is recovered at this time.
   ii. If, after the claim has been processed and denied, attempts are made to collect the claim through the appeals process and/or contacting resident for private pay through letters, phone calls, etc. After all resources are exhausted and it has been determined you are unable to collect, a form is filled out along w/documentation to be sent to the board for review and determination to write off the charges.

e. Restricted Assets

The District holds funds belonging to the residents for resident personal use. These funds are held separately from all other funds in an interest bearing account as defined by the Department of Social and Health Services.

Purpose	Amount
Resident Trust Fund	$8,660

f. Inventories

Inventories were revalued at year end.

g. Capital Assets

Depleted and exhausted assets were removed from the books at December 31, 2017. Assets with a useful life of longer than one (1) year valued at over $750 have been added. See note 4 for further details

h. Compensated Absences

Employees receive vacation and sick leave.
Vacation is accrued based on length of service and is available for use once it is accrued.
Upon resignation, any outstanding sick leave or vacation is lost.

i. Net Position Classification

Net position is classified and displayed in three components. (1) Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted – component of net position with constraints placed on their use either by creditors, grantors, donors, etc. or by law through constitutional provisions or enabling legislation[1]. (3) Unrestricted – all other assets that do not meet the definition of *restricted* or *net investment in capital assets.*

j. Operating Revenues and Expenses

The District's operating statement distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. They also include payments from federal government for health care services rendered to eligible individuals. Net operating revenue is calculated from revenue recognized at a standard room rate adjusted to actual payer rates per individual payer schedule. Other operating revenues include retail revenue from the District's cafeteria, gift shop and pharmacy, class registration fees, and health information and laboratory service revenues. Non exchange revenue, including taxes, grants and contributions received for purposes other than capital assets acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

k. Patient Service Revenues

Revenues from patient services are reported on the full-accrual basis in the period in which services are provided at established rates, whether or not collection in full is anticipated. Contractual adjustments, the result of arrangements to provide services for other than established rates, are reported as revenue deductions and allowances. Contractual adjustments include differences between established rates and amounts estimated by management to be collected under various reimbursement programs in effect. Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's contractual adjustments.

l. Budgets

The District maintains an operating budget approved by the board prior to the start of each year.

m. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

a. Deposits

Cash on hand at December 31, 2017 was $147,376. The District's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

a. Investments

The District is a participant in the Grant County Investment Pool, an external investment pool. The District reports its investment in the Pool at the amortized cost, which is different than fair value or the value of the Pool per share. The difference in value is immaterial. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. The Grant County Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

Investments measure at amortized cost	**12/31/2017**
[Grant County Investment Pool]	$8,769
Total Investments measure at amortized cost	$8,769
Total Investments in Statement of Net Position	**$8,769**

NOTE 3 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1, on property values listed as of the prior May 31. Assessed values are established by the county assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Collections are primarily distributed to the District in the months the taxes are received.

The District is permitted by law to levy up to $0.50 per $1,000 of assessed valuation for general District purposes. The Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of people.

Property taxes are recorded as receivables when levied. (Since State law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.)

District	Tax Year	Regular Levy Assessed Value	Regular Levy Rate per $1,000	Regular Levy Total $ Levied [i]	Regular Levy billed by Treasurer	Collected by Treasurer and Distributed to PHD #4
PHD # 4	2017	$490,799,242	0.579888	$284,609	$272,255	$261,917
	2016	$469,499,370	0.579883	$272,255	$238,960	$228,310
	2015	$434,865,347	0.549504	$238,960	$199,049	[ii]$213,147
	2014	$422,776,830	0.500000	$211,388	$206,543	$202,080
	2013	$406,899,571	0.503276	$204,783	$204,752	$201,659
	2012	$412,728,477	0.500001	$206,365	$206,365	[ii]$208,753

[i] Regular levy only. No excess, refund, bond, or M & O levy amounts.
[ii] Collections of tax receivables for prior years resulted in distribution above the levy amount in 2012 & 2015.

NOTE 4 – CAPITAL ASSETS

a. Capital assets are defined by the District as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of 3 year(s).

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets are recorded at cost. Straight Line depreciation is used on all depreciable assets. Assets lives follow the **Estimated Useful Lives of Depreciable Hospital Assets**, current edition.

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	12,179			12,179
Construction in progress				
Intangible assets				
Total capital assets not being depreciated	12,179			12,179
Capital assets being depreciated:				
Buildings	819,148	35,077		854,225
Equipment	606,307	14,771		621,078
Intangible assets				
Total capital assets being depreciated	1,425,455	49,848		1,475,303
Less accumulated depreciation for:				
Buildings	663,465	18,848		682,313
Equipment	355,442	31,505		386,947
Intangible assets				
Total accumulated depreciation	1,018,907	50,353		1,069,260
Total capital assets being depreciated, net	406,548	(505)		406,043
TOTAL CAPITAL ASSETS, NET	$418,727	$(505)		$418,222

NOTE 5 – SHORT-TERM DEBT

a. The District is dependent on warrants issued from the county to supplement everyday operational costs.

Beginning Balance 1/1/2017	Issued	Redeemed	Canceled	Ending Balance 12/31/2017
$591,743	$3,445,833	($3,496,754)	($14,315)	$526,507

NOTE 6 – THIRD PARTY CONTRACTUAL AGREEMENTS

a. The District maintains contracts with various vendors in the normal course of business.

NOTE 7 – PENSION PLANS

a. The District offers a 401K retirement plan through Edward Jones for all employees after one-year of continuous employment. This is on a matching contribution. The employee contributes 3% of wages and McKay contributes 3% as a matching contribution. The employee may contribute more than 3% of the obligatory amount required if he/she chooses. The employee contribution is before taxes, thus it lowers your tax burden now, but taxes must be paid on withdrawal. The amount of pension expense during the period was $12,171.

NOTE 8 – RISK MANAGEMENT

a. The District by virtue of operating in the healthcare industry incurs a certain amount of risk this may include resident care related injuries and/or wrongful termination. Liability is maintained at $1,000,000 per occurrence. This includes general liability, professional liability and auto liability.

b. Risk Management insurance is covered through GuideOne Insurance Company and also covers property, general liability, professional liability, auto liability, employee theft, and excess liabilities.

NOTE 9 – CONCENTRATION OF CREDIT RISK

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. No single patient comprises more than five percent of total receivables at year-end.[1]

The mix of patient receivables at December 31, 2017, was as follows:

Medicare	23.82 %
Medicaid	44.58 %
Self-Pay	13.36 %
Private Insurance	18.24 %

NOTE 10 – OTHER

a. There are no related party transactions other than warrants processed by Grant County.

b. Consolidated Billing Services, Inc. (CBSI) preforms Accounts Receivable function for the District. They also prepare monthly and yearly financial statements.

c. Warrants payables are recorded on the Statement of Cash Flows in Non-Capital Financing Activities. We believe this better reflects the nature of the warrants issued by the County.

NOTE 11 – FINANCIAL CONDITION

McKay Healthcare's revenues were in excess of its expenses from 2011 – 2014. Yet McKay operated at a significant loss in 2015 due primarily to lower than expected resident census that persisted through most of the year. During 2016 – 2017, McKay's revenues were in excess of its expenses. This was primarily due to an increase in Proshare revenue received and a substantial increase in census.

McKay Healthcare has been successful in pursing actions to increase its resident census and patient mix that focuses on referrals and admission tracking; improve financial management including budgeting and expense tracking, billing and accounts receivable collections, and reducing its operating costs per patient day. McKay Healthcare has begun to work collaboratively with area hospitals and communities to look for opportunities to share expenses, increase their awareness of McKay Healthcare and identify new referral sources and access to medical providers. Finally, McKay Healthcare is evaluating how rapidly it can provide new services, such as Alzheimer care.

There are numerous challenges and pressures facing McKay Healthcare. Importantly, McKay Healthcare intends to assess and be ready to respond to future healthcare changes that will come its way. McKay Healthcare Commissioners are committed to the changes outlined in its Strategic Plan and reestablishing the facility as a viable and vital resource for our communities long into the future.

Grant County Public Hospital District No. 4
(District)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

These Notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Grant County Public Hospital District No. 4 ("District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the most significant policies (including identification of those policies which result in material departures from GAAP):

a. Reporting Entity

District is a municipal corporation governed by an elected five (5) member board of commissioners ("Commission"). The District operates McKay Healthcare and Rehabilitation Center (McKay), a 42 bed licensed skilled nursing facility in Soap Lake, WA. As required by GAAP, management has considered all potential component units in defining the reporting entity (District has no component units).

b. Basis of Accounting and Presentation

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Department of Health in the *Accounting and Reporting Manual for Hospitals*.

The District's statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

d. Receivables

a. Receivables are recorded when services are rendered. Receivables are reviewed at year-end and an allowance is booked as an estimate of uncollectible receivables.
b. Collected:
    i. Insurance companies are billed once a month whether it is Medicaid, Medicare, and Group Insurance we bill after the month i.e. December is billed in January. Once Primary insurance is billed and paid, then secondary insurance is billed.
    ii. Private Pay is pre-billed once a month, after the previous month has closed. Then monthly statements are sent out about the 20th of each month to collect the next month's charges along with any outstanding charges.
c. Reviewed:
    i. A/R is reviewed once a week to see what is still outstanding – follow up with the appropriate insurance company is made to check status 2-3 days after the claims were filed. Follow up is made on claims that are outside the 30 day processing timeframe and re-billed as needed until payment is made.

d. Bad Debts:

  i. If the resident is Medicare and has Medicaid as secondary insurance, there is a Medicare reimbursable bad debt to be written off. This is done when both the Medicare and Medicaid claims have completed processing. Reimbursement happens when the Medicare cost report is filed; 65% of the Medicare co-insurance is recovered at this time.
  ii. If, after the claim has been processed and denied, attempts are made to collect the claim through the appeals process and/or contacting resident for private pay through letters, phone calls, etc. After all resources are exhausted and it has been determined you are unable to collect, a form is filled out along w/documentation to be sent to the board for review and determination to write off the charges.

e. Restricted Assets

The District holds funds belonging to the residents for resident personal use. These funds are held separately from all other funds in an interest bearing account as defined by the Department of Social and Health Services.

Purpose	Amount
Resident Trust Fund	$18,627

f. Inventories

Inventories were revalued at year end.

g. Capital Assets

Depleted and exhausted assets were removed from the books at December 31, 2016. Assets with a useful life of longer than one (1) year valued at over $750 have been added. See note 4 for further details

h. Compensated Absences

Employees receive vacation and sick leave.
Vacation is accrued based on length of service and is available for use once it is accrued.
Upon resignation, any outstanding sick leave or vacation is lost.

i. Net Position Classification

Net position is classified and displayed in three components. (1) Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted – component of net position with constraints placed on their use either by creditors, grantors, donors, etc. or by law through constitutional provisions or enabling legislation[1]. (3) Unrestricted – all other assets that do not meet the definition of *restricted* or *net investment in capital assets.*

j. Operating Revenues and Expenses

The District's operating statement distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services. They also include payments from federal government for health care services rendered to eligible individuals. Net operating revenue is calculated from revenue recognized at a standard room rate adjusted to actual payer rates per individual payer schedule. Other operating revenues include retail revenue from the District's cafeteria, gift shop and pharmacy, class registration fees, and health information and laboratory service revenues. Non exchange revenue, including taxes, grants and contributions received for purposes other than capital assets acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

k. Patient Service Revenues

Revenues from patient services are reported on the full-accrual basis in the period in which services are provided at established rates, whether or not collection in full is anticipated. Contractual adjustments, the result of arrangements to provide services for other than established rates, are reported as revenue deductions and allowances. Contractual adjustments include differences between established rates and amounts estimated by management to be collected under various reimbursement programs in effect. Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's contractual adjustments.

l. Budgets

The District maintains an operating budget approved by the board prior to the start of each year.

m. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

a. Deposits

Cash on hand at December 31, 2016 was $50,935. The District's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

b. Investments

The District is a participant in the Grant County Investment Pool, an external investment pool. The District reports its investment in the Pool at the amortized cost, which is different than fair value or the value of the Pool per share. The difference in value is immaterial. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The Revised Code of Washington, Chapter 39, authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government certificates, notes, or bonds; the Washington State Local Government Investment Pool; savings accounts in qualified public depositories; and certain other investments. The Grant County Investment Pool consists of investments in federal, state, and local government certificates, savings accounts in qualified public depositories, and the Washington State Local Government Investment Pool.

Investments measure at amortized cost	**12/31/2016**
[Grant County Investment Pool]	$8,640
Total Investments measure at amortized cost	$8,640
Total Investments in Statement of Net Position	**$8,640**

NOTE 3 – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1, on property values listed as of the prior May 31. Assessed values are established by the county assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Collections are primarily distributed to the District in the months the taxes are received.

The District is permitted by law to levy up to $0.50 per $1,000 of assessed valuation for general District purposes. The Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of people.

Property taxes are recorded as receivables when levied. (Since State law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.)

District	Tax Year	Regular Levy Assessed Value	Regular Levy Rate per $1,000	Regular Levy Total $ Levied[i]	Regular Levy billed by Treasurer	Collected by Treasurer and Distributed to PHD #4
PHD # 4	2016	$469,499,370	0.579883	$272,255	$238,960	$228,310
	2015	$434,865,347	0.549504	$238,960	$199,049	[ii]$213,147
	2014	$422,776,830	0.500000	$211,388	$206,543	$202,080
	2013	$406,899,571	0.503276	$204,783	$204,752	$201,659
	2012	$412,728,477	0.500001	$206,365	$206,365	[ii]$208,753

[i] Regular levy only. No excess, refund, bond, or M & O levy amounts.
[ii] Collections of tax receivables for prior years resulted in distribution above the levy amount in 2012 & 2015.
[iii] Removed Delancy Houghton building from tax roll formerly leased to PHD # 4.

NOTE 4 – CAPITAL ASSETS

a. Capital assets are defined by the District as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of 3 year(s).

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

Capital assets are recorded at cost. Straight Line depreciation is used on all depreciable assets. Assets lives follow the **Estimated Useful Lives of Depreciable Hospital Assets**, current edition.

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	12,179			12,179
Construction in progress				
Intangible assets				
Total capital assets not being depreciated	12,179			12,179
Capital assets being depreciated:				
Buildings	819,148			819,148
Equipment	594,963	11,344		606,307
Intangible assets				
Total capital assets being depreciated	1,414,111	11,344		1,425,455
Less accumulated depreciation for:				
Buildings	650,837	12,628		663,465
Equipment	314,743	40,699		355,442
Intangible assets				
Total accumulated depreciation	965,580	53,327		1,018,907
Total capital assets being depreciated, net	448,531	(41,983)		406,548
TOTAL CAPITAL ASSETS, NET	$460,710	$(41,983)		$418,727

NOTE 5 – SHORT-TERM DEBT

a. The District is dependent on warrants issued from the county to supplement everyday operational costs.

Beginning Balance 1/1/2016	Issued	Redeemed	Canceled	Ending Balance 12/31/2016
$1,297,321	$2,923,202	($3,599,023)	($29,757)	$591,743

NOTE 6 – THIRD PARTY CONTRACTUAL AGREEMENTS

a. The District maintains contracts with various vendors in the normal course of business.

NOTE 7 – PENSION PLANS

a. The District offers a 401K retirement plan through Edward Jones for all employees after one-year of continuous employment. This is on a matching contribution. The employee contributes 3% of wages and McKay contributes 3% as a matching contribution. The employee may contribute more than 3% of the obligatory amount required if he/she chooses. The employee contribution is before taxes, thus it lowers your tax burden now, but taxes must be paid on withdrawal. The amount of pension expense during the period was $10,528.

NOTE 8 – RISK MANAGEMENT

a. The District by virtue of operating in the healthcare industry incurs a certain amount of risk this may include resident care related injuries and/or wrongful termination. Liability is maintained at $1,000,000 per occurrence. This includes general liability, professional liability and auto liability.

b. Risk Management insurance is covered through GuideOne Insurance Company and also covers property, general liability, professional liability, auto liability, employee theft, and excess liabilities.

NOTE 9 – CONCENTRATION OF CREDIT RISK

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. No single patient comprises more than five percent of total receivables at year-end.[1]

The mix of patient receivables at December 31, 2016, was as follows:

Medicare	24.65 %
Medicaid	34.97 %
Self-Pay	29.74 %
Private Insurance	10.64 %

NOTE 10 – OTHER

a. There are no related party transactions other than warrants processed by Grant County.

b. Consolidated Billing Services, Inc. (CBSI) preforms Accounts Receivable function for the District. They also prepare monthly and yearly financial statements.

c. Warrants payables are recorded on the Statement of Cash Flows in Non-Capital Financing Activities. We believe this better reflects the nature of the warrants issued by the County.

NOTE 11 – FINANCIAL CONDITION

McKay Healthcare's revenues were in excess of its expenses from 2011 – 2014. Yet McKay operated at a significant loss in 2015 due primarily to lower than expected resident census that persisted through most of the year. During 2016, McKay's revenues were in excess of its expenses. This was primarily due to an increase in Proshare revenue received and a substantial increase in census; primarily with an increased higher paying Medicare census.

McKay Healthcare has been successful in pursing actions to increase its resident census and patient mix that focuses on referrals and admission tracking; improve financial management including budgeting and expense tracking, billing and accounts receivable collections, and reducing its operating costs per patient day. McKay Healthcare has begun to work collaboratively with area hospitals and communities to look for opportunities to share expenses, increase their awareness of McKay Healthcare and identify new referral sources and access to medical providers. Finally, McKay Healthcare is evaluating how rapidly it can provide new services, such as Alzheimer care.

There are numerous challenges and pressures facing McKay Healthcare. Importantly, McKay Healthcare intends to assess and be ready to respond to future healthcare changes that will come its way. McKay Healthcare Commissioners are committed to the changes outlined in its Strategic Plan and reestablishing the facility as a viable and vital resource for our communities long into the future.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Website	www.sao.wa.gov