



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
Spokane Regional Health District

For the period January 1, 2018 through December 31, 2018

Published September 30, 2019

Report No. 1024764





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

September 30, 2019

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,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Spokane Regional Health District January 1, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2018-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Spokane Regional Health District January 1, 2018 through December 31, 2018

2018-001 The District's internal controls over financial statement preparation were not adequate to ensure accurate and complete financial reporting.

Background

District Management is responsible for designing, implementing and maintaining internal controls that ensure financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Our audit identified a material weakness in the District's internal controls over financial reporting that hindered the District's ability to produce reliable financial statements.

Government Auditing Standards requires the auditor to communicate a material weakness, as defined below in the Applicable Laws and Regulations section, as a finding.

Description of Condition

The District's internal controls were not adequate to ensure that financial information it reported was accurate and supported. The District's process to evaluate and implement Governmental Accounting Standards Board (GASB) requirements was not sufficient. Further, no one independently reviewed the financial statements to ensure balances reported in the financial statements were accurate, supported and properly classified according to GAAP.

We consider these control deficiencies to be a material weakness.

Cause of Condition

The District experienced turnover in the Health Administrator position. This caused a change in the normal review process, because the Comptroller who normally performed the secondary review was serving in the role as the Interim Health Administrator. Further, the District did not dedicate the proper time and resources to properly evaluate new GASB requirements.

Effect of Condition

The District did not report amounts related to GASB Statement No. 75, which became effective starting with the District's 2018 reporting year. Specifically, the District understated Deferred Outflows and Deferred Inflows by \$88,899 and \$1,030,489 respectively. We noted other immaterial presentation errors and information missing from required note disclosures related to implementation of GASB 75.

In addition, the District's Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position contained the following errors:

- Assets understated by \$11,000
- Liabilities understated by \$3,952,062
- Net position understated by \$3,941,062

We also identified other, less significant errors in the District's annual report.

The District corrected all of the above errors on the financial statements, notes, and required supplementary information.

Recommendations

We recommend the District:

- Establish a formal process to evaluate GASB accounting and reporting standards, and obtain additional training and technical guidance as needed
- Dedicate adequate resources to staff and establish a process for detailed review of the financial statements by a person who understands GAAP and Budgeting, Accounting and Reporting System (BARS) Manual requirements to ensure accurate preparation of the District's financial statements

District's Response

The District appreciates the opportunity to respond to the deficiencies identified by the staff of the Washington State Auditor's Office and acknowledges that the District did not have sufficient controls in place to ensure that our financial statements were free from error. As noted in the auditor's report, the District experienced turnover in the Administrator position, which was backfilled by the Comptroller, as a Co-Interim Director. Additionally, the Accounting Manager was backfilling a vacant finance staff position. The vacant finance position also caused a delay in providing data necessary for the actuary to complete the GASB 75 report for the District. The District did not receive the report until May 16th. Therefore,

the District employee responsible for preparing and reviewing the financial statements was unable to dedicate sufficient time and resources to ensure accurate and complete financial reports. Prior to uploading the schedules to the SAO website, links are removed from the schedules. Regrettably, this caused the version of the financial statements uploaded to the SAO website on the night of the May 30th deadline to be incomplete. The links removed from the spreadsheet just prior to upload unfortunately removed critical values from the schedules. Omitting these critical values were significant enough to require a finding. The error with the upload was not discovered until the audit when the District's working papers did not agree with the version uploaded to the SAO website. The District immediately fixed the errors identified prior to the close of the audit.

The District will adopt a better review process on the financial statement preparations including ensuring documentation uploaded to the SAO website is complete. In the future, the District will also ensure the finance department has the appropriate staffing resources to complete and review the financial statement preparations. Given the time to perform a proper review, the District is confident that a similar error will not be repeated.

Auditor's Remarks

We appreciate the District's commitment to resolving the issued noted and will follow up 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 Matters Identified in an Audit, paragraph 7.

Government Accounting Standards Board Statement No. 75

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The Budgeting, Accounting, and Reporting System (BARS) manual – Accounting, Accounting Principles and Internal Control, Internal Control, requires each local

government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

The American Institute of Certified Public Accountants Codification of Statements on Auditing Standards, section 115

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Spokane Regional Health District January 1, 2018 through December 31, 2018

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

| | | |
|---|------------------------------------|--------------------------------------|
| Audit Period: January 1, 2017 through December 31, 2017 | Report Ref. No.: 1022332 | Finding Ref. No.: 2017-001 |
| Finding Caption: The District did not report the liabilities related to its other post-employment benefits in accordance with governmental accounting standards. | | |
| Background: 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. 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. 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. | | |
| Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid | | |
| Corrective Action Taken: <i>The Spokane Regional Health District implemented changes to the existing financial statement processes to ensure the correct and applicable GASBs are properly recorded. The District hired an actuary to perform services prior to the completion of the audit and incorporated GASB 45 into the financial statements for 2017. The same actuary was contracted with the District for the GASB 75 implementation in 2018. Future GASB implementations will include utilizing actuary and accounting expertise as well as the state auditor’s help desk.</i> | | |

**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, 2018 through December 31, 2018**

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, 2018, 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 24, 2019. As discussed in Note 8 to the financial statements, during the year ended December 31, 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As discussed in Note 13 to the financial statements, in 2018, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2018-001 to be material weaknesses.

We also noted certain matters that we have reported to management of the District in a separate letter dated September 24, 2019.

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 style with a large, stylized initial "P".

Pat McCarthy
State Auditor
Olympia, WA

September 24, 2019

**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, 2018 through December 31, 2018**

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, 2018. 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, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Regional Health District January 1, 2018 through December 31, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 21.

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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 8 to the financial statements, in 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting 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 13 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. 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 21 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 24, 2019 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 24, 2019

FINANCIAL SECTION

Spokane Regional Health District January 1, 2018 through December 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Reconciliation – Balance Sheet/ Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2018

Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund – 2018

Schedule of the District's Proportionate Share of the Net Pension Liability – PERS 1,
PERS 2/3 – 2018

Schedule of District Contributions – PERS 1, PERS 2/3 – 2018

Schedule of Changes in Total OPEB Liability and Related Ratios – Post-employment
healthcare benefits – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

Spokane Regional Health District
Annual Report
For the Fiscal Year Ended December 31, 2018

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, 2018.

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

Governmental Activities

The changes in net position are a useful indicator of SRHD's financial position. SRHD's assets exceeded liabilities by \$7.8 million at December 31, 2018 not including deferred inflows and outflows. The results of operations resulted in an increase to net position of \$2 million.

General Fund

During the year, the District had revenues of \$34.2 million and expenses of \$33.4 million.

In the current year the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. This standard replaces the requirements of GASB

**Spokane Regional Health District
Annual Report - Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018**

Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions administered as trusts or similar arrangements that meet certain criteria. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

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

| | | | Change |
|--|-----------------|-----------------|-------------------|
| | | | Increase |
| | <u>2018</u> | <u>2017</u> | <u>(Decrease)</u> |
| ASSETS: | | | |
| Current and Other Assets | \$ 14,609 | \$ 11,978 | \$ 2,631 |
| Capital Assets | <u>10,385</u> | <u>10,622</u> | <u>(237)</u> |
| Total Assets | <u>24,994</u> | <u>22,600</u> | <u>2,394</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| | <u>1,532</u> | <u>1,382</u> | <u>150</u> |
| LIABILITIES: | | | |
| Long-term Liabilities | 15,119 | 17,503 | (2,384) |
| Other Liabilities | <u>2,090</u> | <u>1,648</u> | <u>442</u> |
| Total Liabilities | <u>17,209</u> | <u>19,151</u> | <u>(1,942)</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| | <u>4,393</u> | <u>2,439</u> | <u>1,954</u> |
| NET POSITION: | | | |
| Invested in Capital Assets | 10,385 | 10,622 | (237) |
| Unrestricted | <u>(5,452)</u> | <u>(8,231)</u> | <u>2,779</u> |
| TOTAL NET POSITION | <u>\$ 4,933</u> | <u>\$ 2,391</u> | <u>\$ 2,542</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 current assets and deferred inflows of resources is primarily due to the reporting of a \$1,438,659 accounts receivable from the State of Washington. The 1/31/19 public health appropriations payment is reported as a 2018 accounts receivable to be in compliance with our accrual basis of accounting.

The decrease in capital assets during 2018 reflects the net of \$315,386 in purchases, less \$552,220 in depreciation.

The decrease in long-term liabilities reflect a decrease in Net Pension Liability (NPL) from \$8,739,682 to \$6,592,535 plus a decrease from \$7,775,234 to \$7,423,452 in Total OPEB obligation.

Spokane Regional Health District
Annual Report - Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018

Condensed Statement of Activities (in thousands)

| Revenues | 2018 | 2017 |
|--|-------------|-------------|
| Charges for Services | 9,272 | 8,512 |
| Operating Grants & Contributions | 19,135 | 15,823 |
| General Revenues | 5,796 | 5,656 |
| Total Revenues | \$ 34,203 | \$ 29,991 |
| Program Expenses | | |
| Public Health | 32,158 | 28,519 |
| Total Expenses | \$ 32,158 | \$ 28,519 |
| Change in Net Position | 2,045 | 1,472 |
| Total Net Position, January 1 | \$ 2,391 | \$ 8,046 |
| Prior Period Adjustment | \$ 1,439 | \$ (7,127) |
| Cumulative Effect of Change in Accounting Principle | \$ (942) | |
| Total Net Position, December 31 | \$ 4,933 | \$ 2,391 |

Overall Analysis of Financial Position and Result of Operations

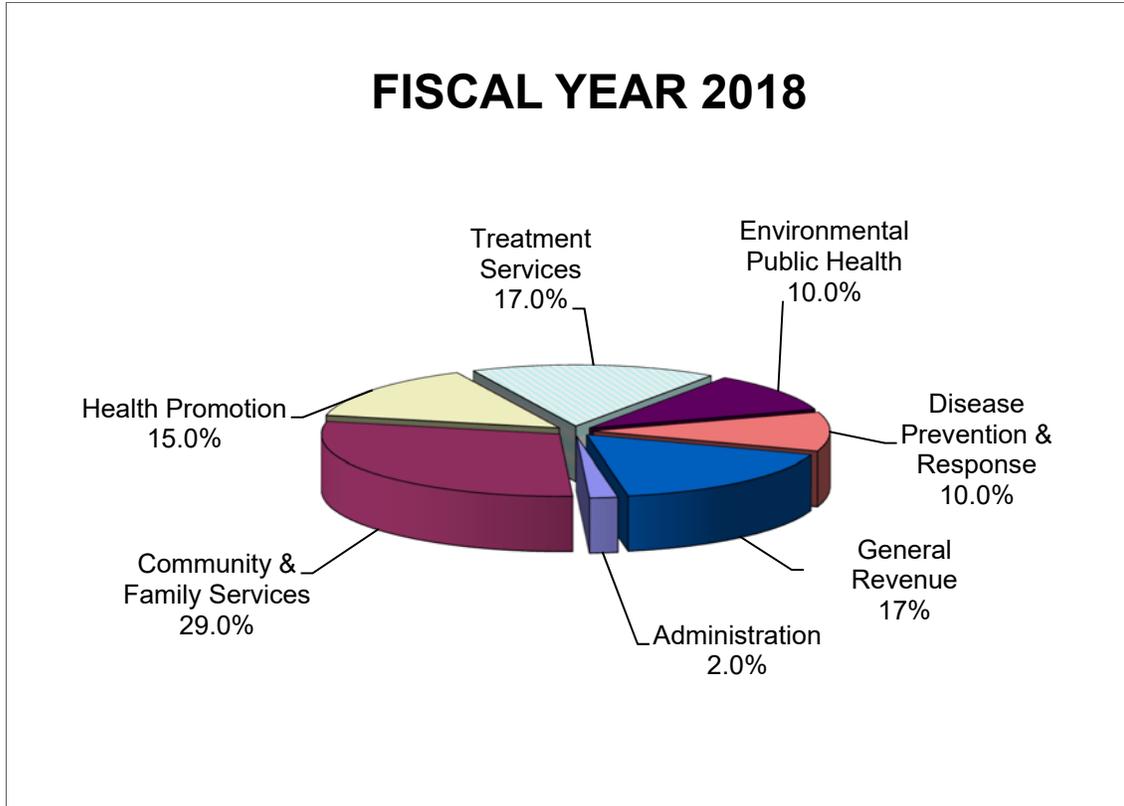
- Total revenues were up due to the school district grant increases in both student counts and amount per student in 2018
- Total revenues were up due to the contract increase from DOH for medical case management for HIV/AIDS clients
- Total revenues were up in Treatment Services due to the increased 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
- The cumulative effect of change in accounting principle is due to the implementation of GASB 75 from GASB 45.

Spokane Regional Health District Annual Report - Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2018

A summary of revenues for the year ended December 31, 2018, and the amount and percentage change in relation to prior year amounts is as follows (in thousands):

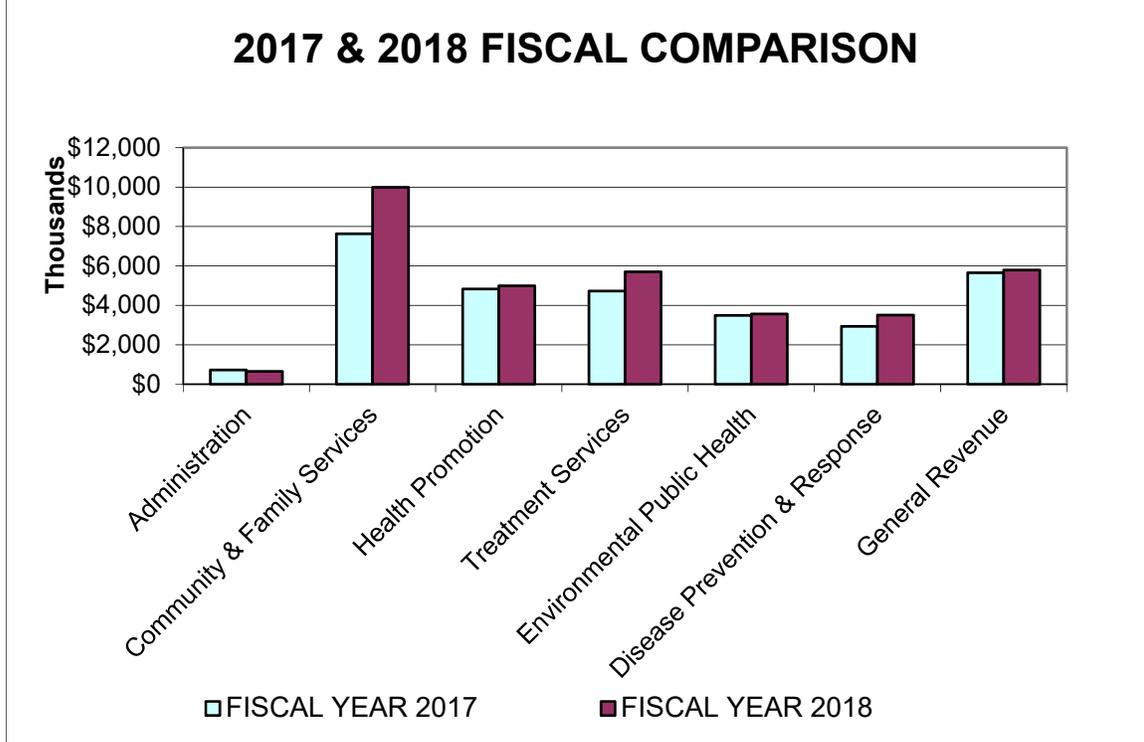
| | 2018 | 2017 | Amount Increase (Decrease) | Percent Increase (Decrease) |
|-------------------------------|-------------------------|-------------------------|----------------------------------|-----------------------------------|
| PROGRAM REVENUES: | | | | |
| Community & Family Services | \$ 9,987 | \$ 7,632 | \$ 2,355 | 30.9% |
| Health Promotion | 4,993 | 4,829 | 164 | 3.4% |
| Treatment Services | 5,706 | 4,729 | 977 | 20.7% |
| Environmental Public Health | 3,562 | 3,489 | 73 | 2.1% |
| Disease Prevention & Response | 3,505 | 2,935 | 570 | 19.4% |
| Administration | <u>653</u> | <u>721</u> | <u>(68)</u> | <u>-9.4%</u> |
| TOTAL PROGRAM REVENUES | 28,406 | 24,335 | 4,071 | 16.7% |
| GENERAL REVENUE | 5,796 | 5,656 | 140 | 2.5% |
| TOTAL REVENUES | <u>\$ 34,202</u> | <u>\$ 29,991</u> | <u>\$ 4,211</u> | <u>14.0%</u> |

The following chart shows revenues by division for the fiscal year ended December 31, 2018:

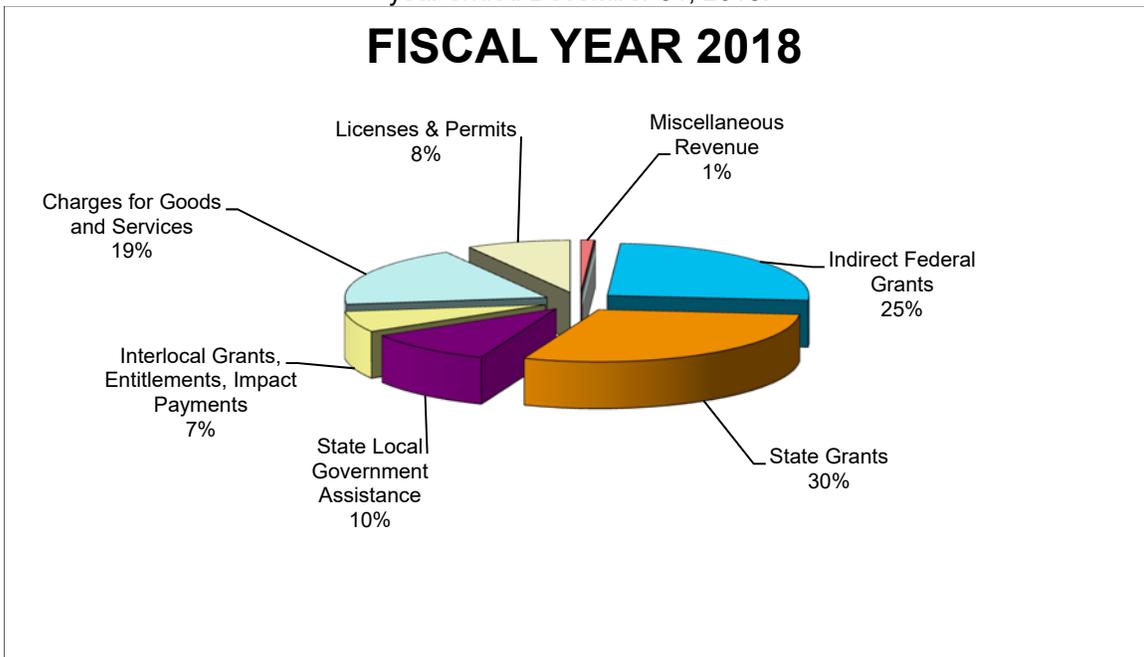


Spokane Regional Health District Annual Report - Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2018

A comparison of revenues by division for fiscal years ending December 31, 2017 and 2018 is as follows:

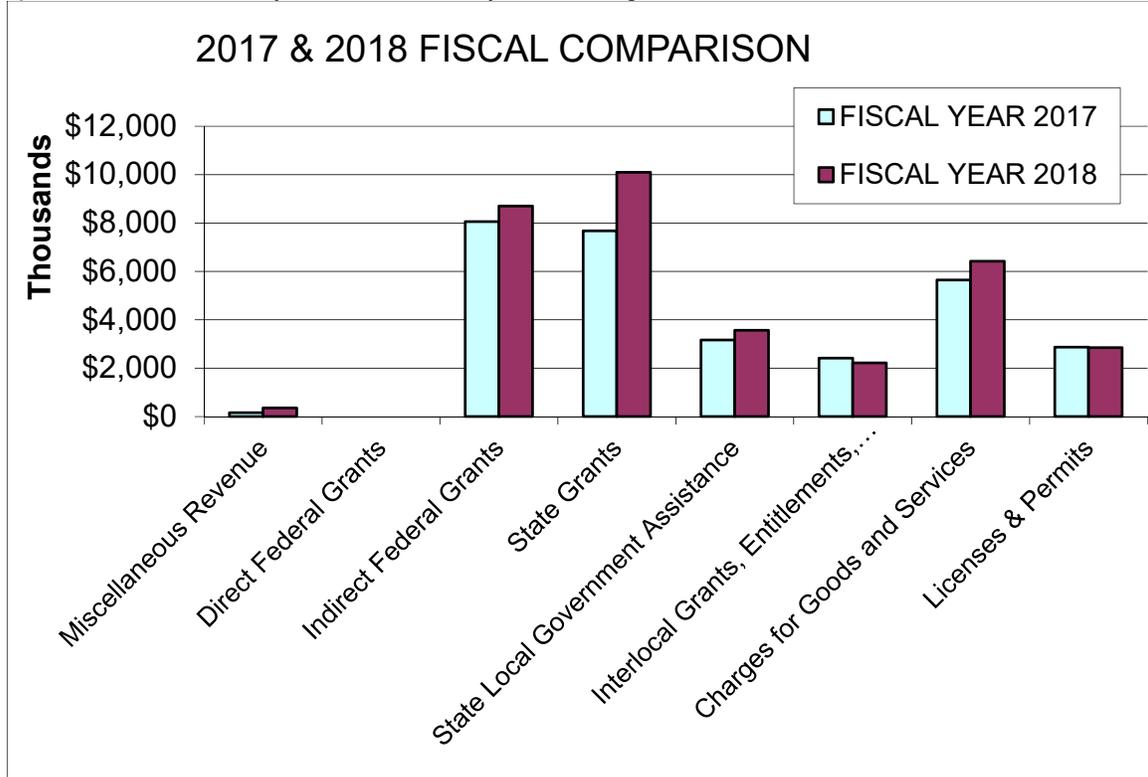


The following chart shows the major sources and the percentage of total operating revenues for the fiscal year ended December 31, 2018:



**Spokane Regional Health District
Annual Report - Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018**

A comparison of revenues by source for fiscal years ending December 31, 2017 and 2018 is as follows:

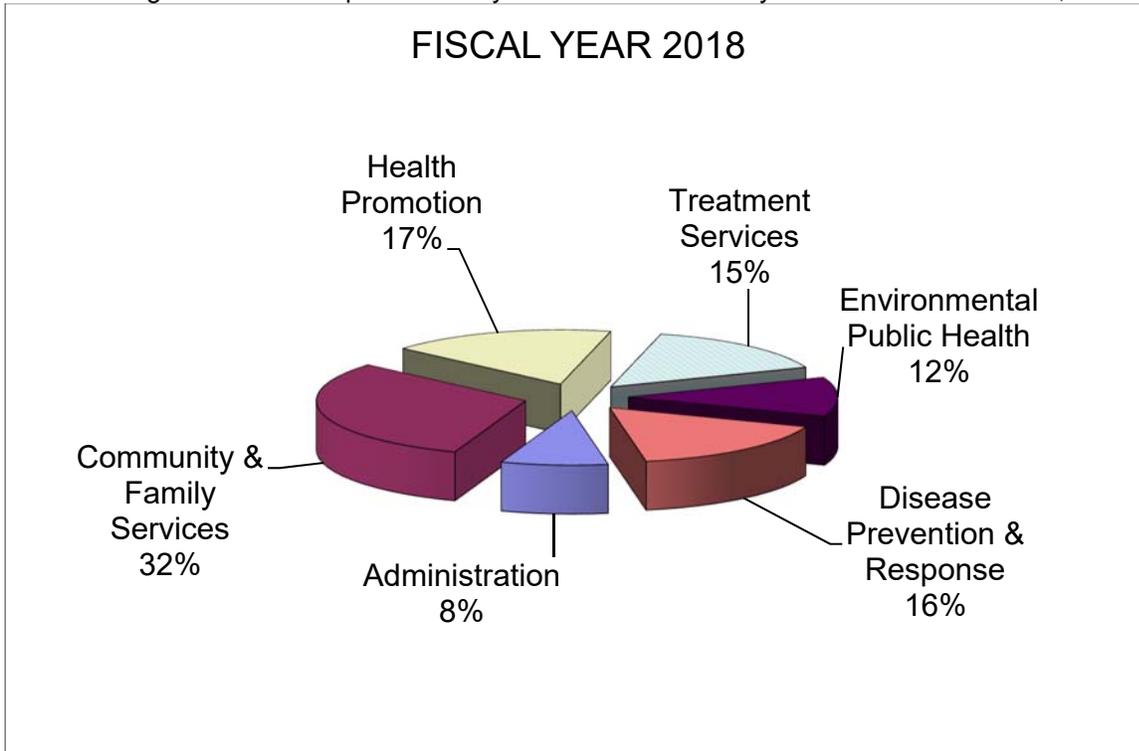


A summary of program expenditures for the year ended December 31, 2018, and the amount and percentage change in relation to prior year amounts is as follows (in thousands):

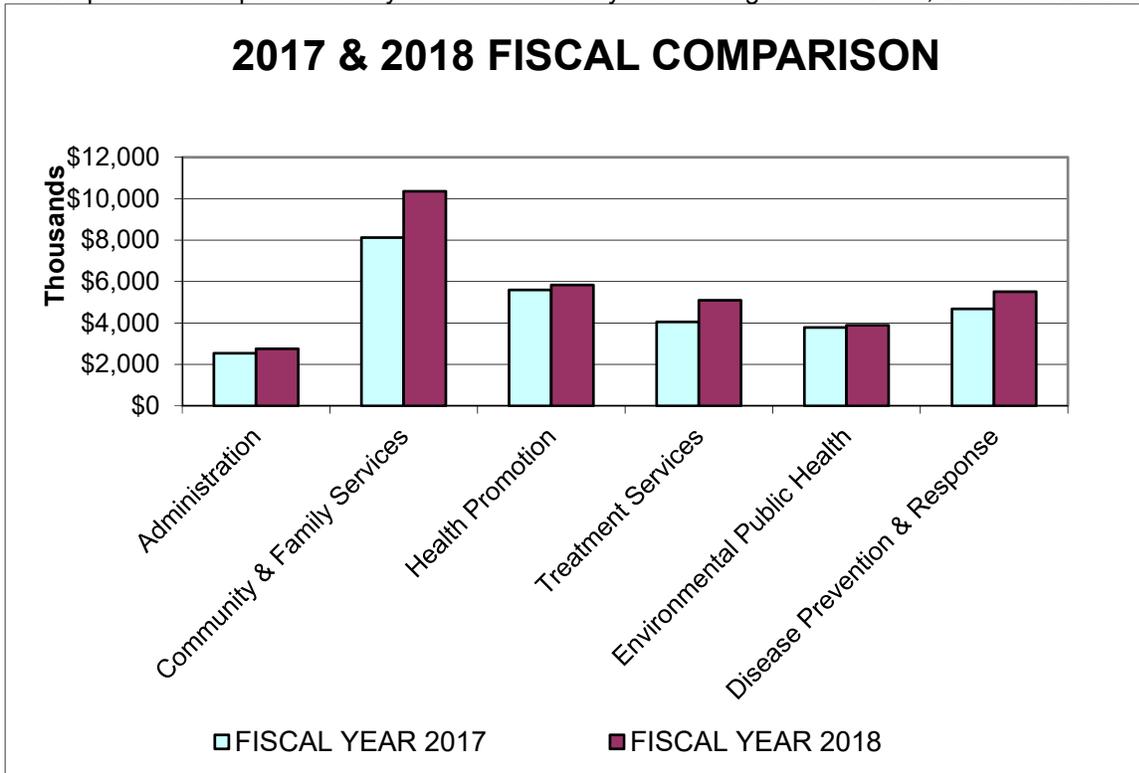
| EXPENDITURES: | 2018 | 2017 | Amount Increase (Decrease) | Percent Increase (Decrease) |
|-------------------------------|------------------|------------------|----------------------------|-----------------------------|
| Current: | | | | |
| Community & Family Services | \$ 10,356 | \$ 8,119 | \$ 2,237 | 27.6% |
| Health Promotion | 5,831 | 5,598 | 233 | 4.2% |
| Treatment Services | 5,096 | 4,049 | 1,047 | 25.9% |
| Environmental Public Health | 3,891 | 3,783 | 108 | 2.9% |
| Disease Prevention & Response | 5,514 | 4,678 | 836 | 17.9% |
| Administration | 2,755 | 2,540 | 215 | 8.5% |
| TOTAL EXPENDITURES | \$ 33,443 | \$ 28,767 | \$ 4,676 | 16.3% |

Spokane Regional Health District Annual Report - Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2018

The following chart shows expenditures by division for the fiscal year ended December 31, 2018:

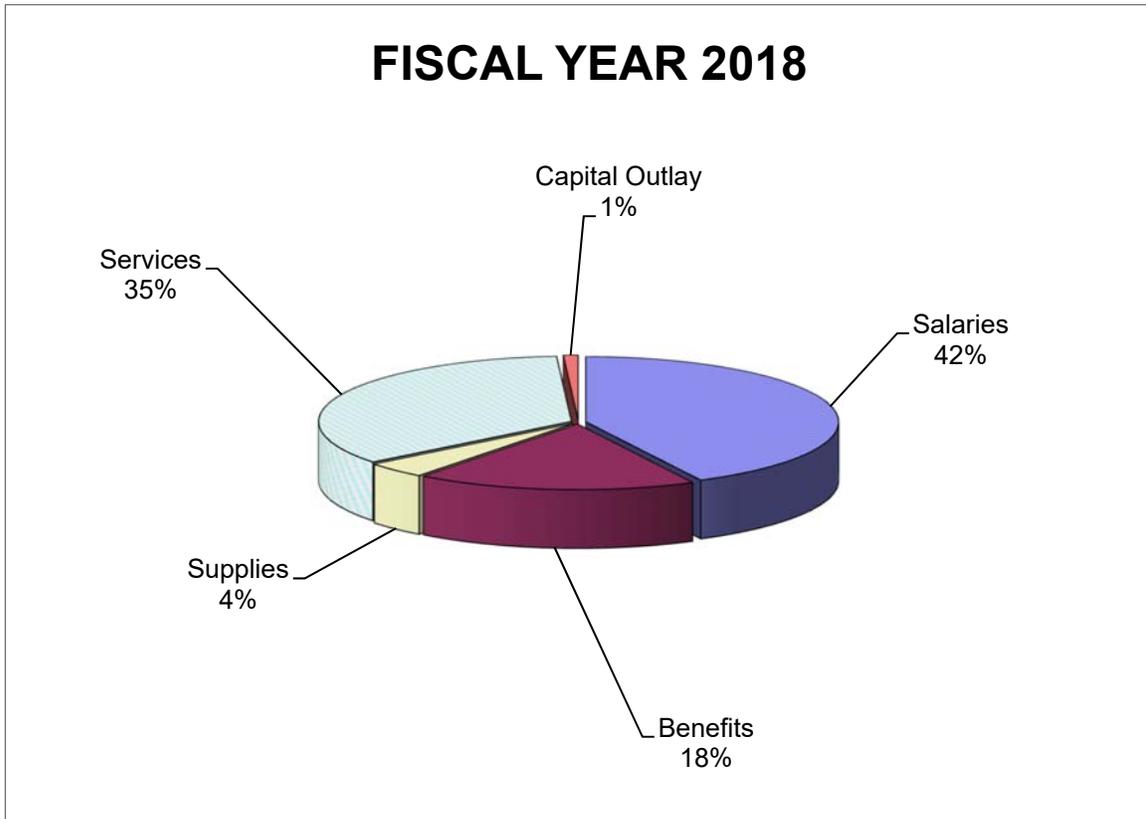


A comparison of expenditures by division for fiscal years ending December 31, 2017 and 2018 is as follows:

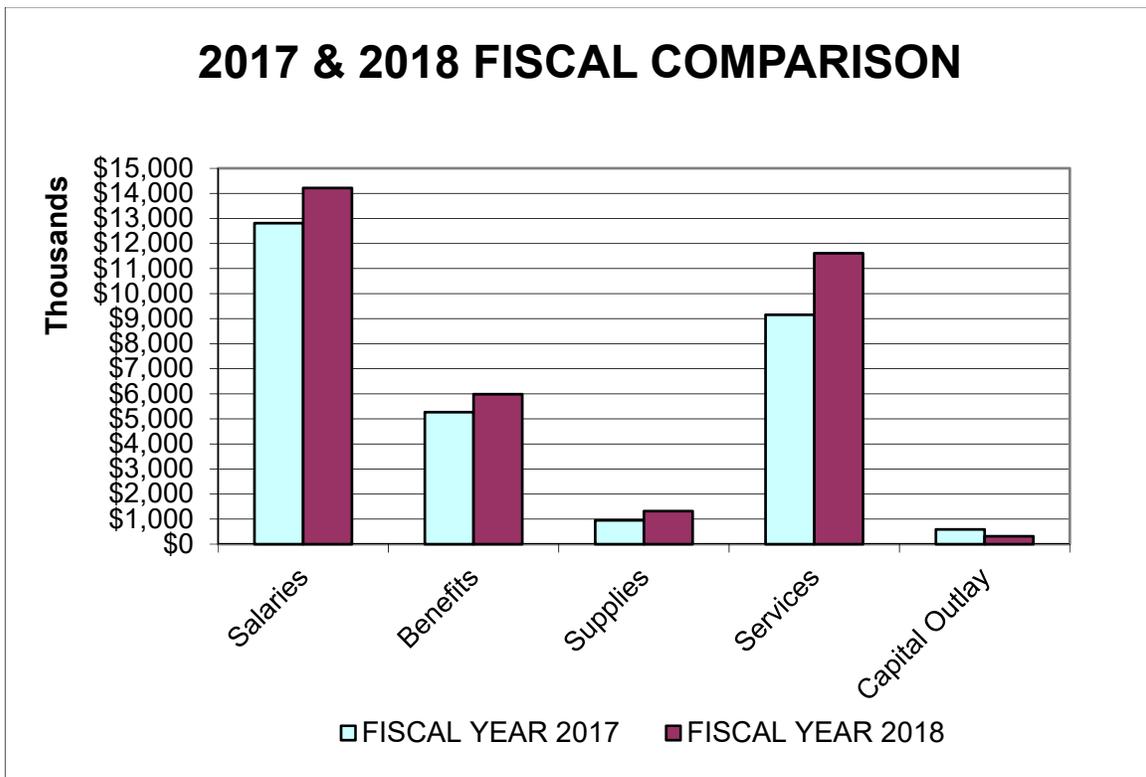


Spokane Regional Health District Annual Report - Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2018

The following chart shows expenditures by object for the fiscal year ended December 31, 2018:



A comparison of expenditures by object for fiscal years ending December 31, 2017 and 2018 is as follows:



**Spokane Regional Health District
Annual Report - Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2018**

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 2018 original and final budget is presented below along with 2018 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 | \$ 6,963 | \$ 6,963 | \$ 9,574 | \$ 2,611 |
| Resources / Revenues | 29,785 | 29,785 | 34,202 | 4,417 |
| Appropriations / Expenditures | <u>30,144</u> | <u>30,144</u> | <u>33,443</u> | <u>3,299</u> |
| General Fund Balance, December 31 | <u>\$ 6,604</u> | <u>\$ 6,604</u> | <u>\$ 10,333</u> | <u>\$ 3,729</u> |

Spokane Regional Health District
Statement of Net Position
December 31, 2018

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 9,314,509 |
| Receivables (net) | 5,294,707 |
| Inventories | 11,000 |
| Capital Assets not being depreciated: | |
| Land | 400,500 |
| Capital Assets net of accumulated depreciation: | |
| Buildings & Structures | 7,494,405 |
| Leasehold Improvements | 1,485,014 |
| Machinery and Equipment | 1,004,926 |
| Software | - |
| Total Capital Assets | 10,384,845 |
| Total Assets | \$ 25,005,061 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to Pensions* | 1,442,647 |
| Deferred Outflows Related to OPEB* | 88,899 |
| Total Deferred Outflows of Resources | 1,531,546 |
| LIABILITIES | |
| Accounts Payable | 1,566,157 |
| Due To Other Governmental Units | 201,675 |
| Accrued Employee Benefits | 303,284 |
| Employee Flex Spending Withholding Payable | 19,248 |
| Accrued Employee Vacation & Sick | 1,103,642 |
| Net Pension Liability | 6,592,535 |
| Total OPEB Liability* | 7,423,452 |
| Total Liabilities | 17,209,993 |
| DEFERRED INFLOWS of RESOURCES | |
| Advance payments of permit fee/grants paid in advance | 758,056 |
| Deferred Inflows Related to Pensions | 2,604,925 |
| Deferred Inflows Related to OPEB* | 1,030,489 |
| Total Deferred Inflows of Resources | 4,393,470 |
| NET POSITION | |
| Net Investment In capital assets | 10,384,845 |
| Unrestricted (Deficit) | (5,451,702) |
| Total Net Position | \$ 4,933,143 |

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

*Implementation of GASB 75

Spokane Regional Health District
Statement of Activities
Year Ended December 31, 2018

| 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 | 9,836,321 | \$ 290,536 | \$ 187 | \$ - | \$ 9,988,130 | \$ (138,539.12) |
| Health Promotion | 5,298,292 | 306,156 | 1,794 | - | 4,990,948 | (611,706) |
| Treatment Services | 4,275,976 | 367,588 | 5,321,370 | - | 384,666 | 1,062,472 |
| Environmental Public Health | 3,371,088 | 283,399 | 3,211,845 | - | 349,683 | (92,959) |
| Disease Prevention & Response | 4,811,900 | 413,142 | 294,224 | - | 3,211,204 | (1,719,614) |
| Administration | 4,563,804 | (1,660,820) | 442,693 | - | 210,003 | (2,250,287) |
| Total Functions | \$ 32,157,381 | \$ - | \$ 9,272,114 | \$ - | \$ 19,134,634 | (3,750,633) |

| | |
|---|---------------------|
| General Revenues: | |
| State Funded Local Government Assistance | 3,568,551 |
| County Assessment | 2,093,608 |
| Interest | 133,508 |
| Total General Revenues | 5,795,667 |
| Changes In Net Position | 2,045,034 |
| Net Position - Beginning | 2,391,040 |
| Prior Period Adjustment | 1,438,659 |
| Cumulative Effect of Change in Accounting Principle OPEB | (941,590) |
| Adjusted Net Position - Beginning | 2,888,109 |
| Net Position - Ending | \$ 4,933,144 |

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

*Implementation of GASB 75

Spokane Regional Health District
Balance Sheet
Governmental Funds
December 31, 2018

| | General Fund |
|---|----------------------|
| ASSETS and OUTFLOWS of RESOURCES | |
| Cash & Cash Equivalents | 9,276,947 |
| Employee Flex Fund | 19,248 |
| Imprest Cash Funds | 18,315 |
| Receivables, Net | 189,384 |
| Due from Other Governments | 5,105,323 |
| Inventories: | |
| US Postal Fund | 11,000 |
| Total Assets and Deferred Outflows of Resources | 14,620,216 |
| LIABILITIES, DEFERRED INFLOWS of RESOURCES and FUND BALANCES | |
| Liabilities: | |
| Accrued Employee Benefits | 303,284 |
| Accounts Payable | 1,566,157 |
| Due to Other Governments | 201,675 |
| Employee Flex Fund | 19,248 |
| Total Liabilities | 2,090,364 |
| Deferred Inflows of Resources | 758,056 |
| Prior Period Adjustment | 1,438,659 |
| Fund Balances: | |
| Committed Fund Balance | 1,500,000 |
| Unassigned Fund Balance | 6,708,689 |
| Assigned Fund Balance | 2,124,447 |
| Total Fund Balances | 10,333,136 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 14,620,216 |

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

**Spokane Regional Health District
Reconciliation
Balance Sheet/Statement of Net Position
December 31, 2018**

| | General Fund Totals | Long-Term Assets, Liabilities | Statement of Net Position Totals |
|---|------------------------|----------------------------------|-------------------------------------|
| ASSETS | | | |
| Cash & Cash Equivalents | \$ 9,276,947 | | \$ 9,314,509 |
| Employee Flex Fund | 19,248 | | |
| Imprest Cash Funds | 18,315 | | |
| Receivables (net) | 189,384 | | 5,294,707 |
| Due from Other Governments | 5,105,323 | | |
| Inventories | 11,000 | | 11,000 |
| Capital Assets not being depreciated: | | | |
| Land | | 400,500 | 400,500 |
| Capital Assets net of accumulated depreciation: | | | |
| Buildings & Structures | | 7,494,405 | 7,494,405 |
| Leasehold Improvements | | 1,485,014 | 1,485,014 |
| Machinery and Equipment | | 1,004,926 | 1,004,926 |
| Software | | - | - |
| Total Capital Assets | | 10,384,845 | 10,384,845 |
| Total Assets | 14,620,216 | 10,384,845 | 25,005,061 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | | 1,442,647 | 1,442,647 |
| Deferred Outflows Related to OPEB* | | 88,899 | 88,899 |
| Total Assets & Deferred Outflows | \$ 14,620,216 | \$ 11,916,391 | \$ 26,536,607 |
| LIABILITIES | | | |
| Accounts Payable | \$ 1,566,157 | | \$ 1,566,157 |
| Due To Other Governmental Units | 201,675 | | 201,675 |
| Accrued Employee Benefits | 303,284 | | 303,284 |
| Employee Flex Spending Withholding Payable | 19,248 | | 19,248 |
| Accrued Employee Vacation & Sick | | | 1,103,642 |
| Net Pension Liability | | | 6,592,535 |
| Net OPEB Liability* | | | 7,423,452 |
| Total Liabilities | 2,090,364 | - | 17,209,993 |
| DEFERRED INFLOWS of RESOURCES | | | |
| Advance payments of permit fee/grants paid in advance | 758,056 | | 758,056 |
| Deferred Inflows Related to Pensions | | 2,604,925 | 2,604,925 |
| Deferred Inflows Related to OPEB* | | 1,030,489 | 1,030,489 |
| Total Deferred Inflows of Resources | 758,056 | 3,635,414 | 4,393,470 |
| FUND BALANCES/NET POSITION | | | |
| Total Fund Balances/Net Position | 11,771,795 | 8,280,977 | 4,933,143 |
| Total Liabilities and Fund Balances/Net Position | \$ 14,620,216 | \$ 11,916,391 | \$ 26,536,607 |

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

*Implementation of GASB 75

Spokane Regional Health District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2018

| | GENERAL FUND |
|--|-------------------|
| REVENUES | |
| Licenses and Permits | 2,847,982 |
| Federal Grants | 8,699,360 |
| State Grants | 10,093,680 |
| Intergovernmental Revenues | 3,568,551 |
| Interlocal Grants, Entitlements, Impact Payments | 2,214,608 |
| Charges For Goods And Services | 6,419,010 |
| Miscellaneous | 359,223 |
| Total Revenues | 34,202,415 |
| EXPENDITURES | |
| Current: | |
| Administration | 2,640,159 |
| Community and Family Services | 10,355,571 |
| Health Promotion | 5,831,214 |
| Treatment Services | 4,896,209 |
| Environmental Public Health | 3,890,543 |
| Disease Prevention and Response | 5,514,067 |
| Capital Outlay | 315,386 |
| Total Expenditures | 33,443,150 |
| Excess (Deficiency) of Revenues over Expenditures | 759,266 |
| Net Change in Fund Balance | 759,266 |
| Fund Balance - Beginning | 9,573,870 |
| Fund Balance - Ending | 10,333,137 |

| Reconciliation of amounts reported on this statement and government wide statement of activities: | |
|--|--------------|
| Net change in fund balance | 759,266 |
| Purchase of capital assets expensed on fund statements which are capitalized on government-wide statements | 315,386 |
| Disposals of capital assets | - |
| Accrued leave expensed on government-wide statements | (115,671) |
| Depreciation expensed on government-wide statements | (552,220) |
| Pension Expense | 1,286,491 |
| OPEB Expense* | 351,782 |
| Change in net position - governmental-wide statement of net activities | \$ 2,045,034 |

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

*Implementation of GASB 75

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items are not properly included amount 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. For this purpose, the District considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

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.

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.

4. Excess of Expenditures Over Appropriations

The District's 2018 original budget of \$30,143,541 included a fund balance decrease of \$359,033. The District's actual expenses of \$33,443,150 and actual revenues of \$34,202,415 resulted in a \$759,265 actual fund balance increase. The District's actual expenditures exceeded the original budgeted expenditures by \$3,296,609. The District's actual revenues exceeded the original budgeted revenues by \$4,417,907. There was no budget amendment in 2018 due to continued position restructures and utilization of the new budgeting software process. The majority of the increase in revenues and expenses was related to the pass-through nature of the school district grants and the increased operating expense with an increased client enrollment in Treatment Services.

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

E. Assets, Liabilities, Fund Balance and Net Position

1. Cash and Cash Equivalents

It is the District's policy to invest all temporary cash surpluses. At December 31, 2018, the treasurer was holding \$9,296,194 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, \$414,640 is unearned 2019 permit revenue for the Environmental Public Health Division and \$343,416 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, 2018 was \$5,804. For 2018, the public health assistance funding received 1/31/19 from the State of Washington was reported as a receivable in the amount of \$1,438,659. There was no change to the amount of funding received from the State of Washington. Reporting the 1/31/19 payment as a 2018 receivable is to ensure the District is in compliance with our accrual basis of reporting.

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, 2018 to December 31, 2018

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. The assigned fund balance is designated by the District Administrator, Comptroller and the Board of Health Budget and Finance Committee. A formal policy will be established by the Board of Health Budget and Finance Committee in calendar year 2019.

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.

**Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018**

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 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. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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 | 564 | 7,495 |
| Leasehold Improvements | 2,272 | 787 | 1,485 |
| Machinery & Equipment | 4,540 | 3,536 | 1,004 |
| Software | 78 | 78 | - |
| Total | \$ 15,350 | \$ 4,965 | \$ 10,385 |

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

| | Amount |
|---------------|----------|
| Accrued Leave | \$ 1,104 |
| Total | \$ 1,104 |

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:

| | Amount |
|------------------------|------------|
| Operating Equipment | \$ 41,168 |
| Computer Equipment | \$ 19,687 |
| Leasehold Improvements | 254,531 |
| Total | \$ 315,386 |

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

| | Amount |
|-------------------------------|--------|
| Administration | \$ 44 |
| Community & Family Services | \$ - |
| Health Promotion | \$ 19 |
| Treatment Services | \$ 8 |
| Environmental Public Health | \$ 10 |
| Disease Prevention & Response | \$ 35 |
| Total | \$ 116 |

**Spokane Regional Health District
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- Depreciation expensed on government-wide statements (in thousands):

| | Amount |
|-------------------------------|--------|
| Administration | \$ 540 |
| Community & Family Services | 7 |
| Health Promotion | - |
| Treatment Services | 5 |
| Environmental Public Health | - |
| Disease Prevention & Response | - |
| Total | \$ 552 |

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2018 was \$9,314,509. The carrying amount of the District's deposits, including certificates of deposit, was \$1,009,392 and the bank balance was \$8,632,896.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District's deposits and certificates of deposit are held by Spokane County and are mostly 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, 2018, 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 | \$9,271,095 | 1.24 years | 1.30 years |

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B. Investments

Interest Rate Risk: Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that address interest rate risk.

Interest Rate Risk. As of December 31, 2018, the Pool's average duration was 1.24 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 1.30 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.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy that addresses credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

Credit Risk. As of December 31, 2018, 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.

Investments in Spokane County Investment Pool (SCIP)

The District is a participant in the Spokane County investment pool, an external investment pool. The District reports its investments in the Pool at the fair value amount, which is the same as the value of the Pool per share. 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.

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.

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B. Capital Asset Activity

Capital assets activity for the year ended December 31, 2018 was as follows:

| Governmental Activities | Beginning Balance 1/01/18 | Increases | Decreases | Ending Balance 12/31/18 |
|---------------------------------------|---------------------------------|---------------------|-------------|-------------------------------|
| Capital assets not depreciated: | | | | |
| Land | \$ 400,500 | \$ - | | \$ 400,500 |
| Capital assets being depreciated: | | | | |
| Building and Structures | \$ 8,058,500 | \$ - | | 8,058,500 |
| Operating Equipment | 3,442,520 | 41,168 | | 3,483,688 |
| Computer Equipment | 943,284 | 19,687 | | 962,971 |
| Vehicles | 79,353 | - | | 79,353 |
| Furniture | 13,883 | - | | 13,883 |
| Software | 78,275 | - | | 78,275 |
| Leasehold Improvements | 2,017,831 | 254,531 | | 2,272,362 |
| Total Capital Assets | \$ 15,034,146 | \$ 315,386 | \$ - | \$ 15,349,532 |
| Less Accumulated Depreciation: | | | | |
| Building and Structures | \$ 402,925 | \$ 161,170 | \$ - | 564,095 |
| Operating Equipment | 2,094,202 | 307,816 | - | 2,402,018 |
| Computer Equipment | 1,011,152 | 16,028 | - | 1,027,180 |
| Vehicles | 84,289 | - | - | 84,289 |
| Furniture | 21,482 | - | - | 21,482 |
| Software | 78,275 | - | - | 78,275 |
| Leasehold Improvements | 720,143 | 67,206 | - | 787,349 |
| Total Accumulated Depreciation | \$ 4,412,468 | \$ 552,220 | \$ - | \$ 4,964,688 |
| Net Capital Assets | \$ 10,621,678 | \$ (236,834) | \$ - | \$ 10,384,844 |

C. Depreciation

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

| <u>Governmental Activities:</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| Administration | \$ 540,210 |
| Community & Family Services | 6,709 |
| Health Promotion | - |
| Treatment Services | 5,301 |
| Environmental Public Health | - |
| Disease Prevention & Response | - |
| Total | \$ 552,220 |

Spokane Regional Health District
Notes to Financial Statements
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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, 2018. 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.

The future minimum lease payments for these leases are as follows:

| Year | Lease Payments |
|------|----------------|
| 2019 | 6,917.16 |
| 2020 | 2,305.72 |

NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2018:

| Aggregate Pension Amounts – All Plans | |
|--|--------------|
| Pension Liabilities | \$ 6,592,535 |
| Pension Assets | \$ |
| Deferred Outflows of Resources | \$ 1,442,647 |
| Deferred Inflows of Resources | \$ 2,604,925 |
| Pension Expense/Expenditures | \$ 453,533 |

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 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.

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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 2018 were as follows:

| PERS Plan 1 | | |
|----------------------------|---------------|--------------|
| Actual Contribution Rates: | Employer | Employee* |
| January – August 2018: | | |
| PERS Plan 1 | 7.49% | 6.00% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Total | 12.70% | 6.00% |
| September – December 2018: | | |
| PERS Plan 1 | 7.52% | 6.00% |
| PERS Plan 1 UAAL | 5.13% | |
| Administrative Fee | 0.18% | |
| Total | 12.83% | 6.00% |

*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

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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 2018 were as follows:

| PERS Plan 2/3 | | |
|-----------------------------------|---------------------|--------------------|
| Actual Contribution Rates: | Employer 2/3 | Employee 2* |
| January – August 2018: | | |
| PERS Plan 2/3 | 7.49% | 7.38% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| Total | 12.70% | 7.38% |
| September – December 2018: | | |
| PERS Plan 2/3 | 7.52% | 7.41% |
| PERS Plan 1 UAAL | 5.13% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| Total | 12.83% | 7.41% |

*For employees participating in JBM, the contribution rate was 18.45% to 18.53%..

The *District's* actual PERS plan contributions were \$711,409 to PERS Plan 1 and \$1,053,547 to PERS Plan 2/3 for the year ended December 31, 2018.

Spokane Regional Health District

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January 1, 2018 to December 31, 2018

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 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 *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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

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January 1, 2018 to December 31, 2018**

projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 7.4 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, 2018, 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 | 7% | 4.90% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
| | 100% | |

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 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

| Pension Plan | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
|--------------|-----------------------|---------------------------------|-----------------------|
| PERS 1 | \$ 5,491,002 | \$ 4,468,088 | \$ 3,582,039 |
| PERS 2/3 | \$ 9,717,267 | \$ 2,124,446 | \$ (4,100,819) |

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.

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At June 30, 2018, the District reported a total pension liability of \$6,592,534 for its proportionate share of the net pension liabilities as follows:

| Pension Plan | Liability or (Asset) |
|--------------|----------------------|
| PERS 1 | \$ 4,468,088 |
| PERS 2/3 | \$ 2,124,446 |

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

| Pension Plan | Proportionate Share 6/30/17 | Proportionate Share 6/30/18 | Change in Proportion |
|--------------|-----------------------------|-----------------------------|----------------------|
| PERS 1 | 0.097190 % | 0.100046 % | +0.002856% |
| PERS 2/3 | 0.118806 % | 0.124425 % | +0.005619% |

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the state of Washington contributed 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the District recognized pension expense as follows:

| Pension Plan | Pension Expense |
|--------------|-----------------|
| PERS 1 | \$ 533,973 |
| PERS 2/3 | \$ (80,440) |
| TOTAL | \$ 453,533 |

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Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ | \$ |
| Net difference between projected and actual investment earnings on pension plan investments | \$ | \$177,559 |
| Changes of assumptions | \$ | \$ |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$ | \$ |
| Contributions subsequent to the measurement date | \$363,456 | \$ |
| TOTAL | \$363,456 | \$177,559 |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$260,401 | \$371,951 |
| Net difference between projected and actual investment earnings on pension plan investments | \$ | \$1,303,658 |
| Changes of assumptions | \$24,852 | \$604,600 |
| Changes in proportion and differences between contributions and proportionate share of contributions | \$271,051 | \$147,156 |
| Contributions subsequent to the measurement date | \$522,886 | \$ |
| TOTAL | \$1,079,191 | \$2,427,366 |

Spokane Regional Health District
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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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Amortization of Other Deferred Outflows and Inflows | | |
|--|------------------|------------------------|
| Year | PERS1 | PERS2/3 |
| 2019 | 7,768 | (179,737) (406,784) |
| 2020 | (38,815) | |
| 2021 | (116,474) | (782,016) |
| 2022 | (30,038) | (279,547) |
| 2023 | | (93,428) |
| Thereafter | | (129,551) |
| Total (DI)/DO | (177,559) | (1,871,061) |

NOTE 8 – ACCOUNTING AND REPORTING CHANGES

Adoption of New Standard

In the current year the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions administered as trusts or similar arrangements that meet certain criteria. Comparative prior year information, to the extent presented, has no been restated because the necessary information is not available.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of the Statement No. 75 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Postemployment Benefits Other Than Pension for the year 2018:

| Aggregate OPEB Amounts - All Plans | |
|---|--------------|
| OPEB Liabilities | \$ 7,423,452 |
| OPEB Assets | - |
| Deferred Outflows of Resources | 88,899 |
| Deferred Inflows of Resources | (1,030,489) |
| OPEB Expense/Expenditures | 673,886 |

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Notes to Financial Statements

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The State of Washington implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Postemployment Benefits Other Than Pension for fiscal year 2018 financial reporting. The state, consisting of state agencies and its component units as well as higher education institutions, is considered a single employer based on guidance provided in GASB Statement No. 75. The State Health Care Authority (HCA) administers this single employer defined benefit other postemployment benefit (OPEB) plan.

Per RCW 41.05.065, the Public Employees Benefits Board (PEBB), created within 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. Retirees choose plans from those offered by the Public Employees Benefits Board (PEBB), administered by the Washington State Health Care Authority (HCA). 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 OPEB liability is based on 50% of the Medicare premium rate, increased at the trend rates indicated in the assumptions, up to a maximum of \$150 per retiree per month. The implicit subsidy is based on age-rated claim costs compared to the premiums charged, both increased at trend. There are no automatic benefit changes nor ad hoc cost of living adjustments (COLAs). 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

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

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.

Employees Covered by benefit terms

At December 31, 2017 (the census date), the benefit terms covered the following employees:

| Category | |
|---|------------|
| Inactive employees, spouses, or beneficiaries currently receiving benefit payments: | 36 |
| Inactive employees entitled to but not yet receiving benefit payments: | 0 |
| Active employees: | 230 |
| Total | 266 |

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 benefits. Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis. There are no assets accumulated in a qualifying trust.

Payment Authority

Washington State law created and authorized the creation of the Spokane Regional Health District. The authority under which requirements for the District to pay OPEB as the benefits come due is established and may be amended by Washington State law.

Contributions

The Spokane Regional Health District pays its portion of benefits for the retiree's healthcare costs as they come due. The Spokane Regional Health District pays no funds directly, but pays an explicit subsidy to cover 50% of premiums up to \$150 per month through premiums paid for active employees to the PEBB. Therefore, the Spokane Regional Health District paid \$0 directly in benefits during the measurement period. We based the projections of the sharing of benefit costs on the established pattern of practice for the Spokane Regional Health District, as well as its plan documents. In calendar year 2018, the explicit subsidy was up to \$150 per member per month, and it will increase to \$168 per member per month in calendar year 2019.

Net OPEB Liability

The District's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation: 2.50%
- Salary increases 3.5%
- Pre-Medicare health care cost trend rates: 6.70% in the first year, trending down to 4.80% over 75 years

**Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018**

- Medicare health cost trend rates: 7.40% in the first year, trending down to 4.80% over 75 years
- Mortality rates were based on RP 2000 Mortality tables, with mortality improvement scales applied

Discount Rate

The discount rate is used to measure the total OPEB liability was 3.71%. Spokane Regional Health District's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Experience Studies

The valuation used the results from the 2017 State of Washington Actuarial for any assumptions requiring experience studies. The State of Washington sued the experience study for the period 2007-2012. We feel it is appropriate to use the State's experience study and assumptions since the participants in the plan choose from the State PEBB plans.

Changes Since the Last Valuation

- Benefit terms did not change.
- The discount rate was changed from 3.25% to 3.71% effective December 31, 2018.
- The assumption for spousal coverage was changed from 45% to 0% for retirees with no spouse listed.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|----------------------|
| Balance as of Report Date December 31, 2017 | \$7,775,234 |
| Changes for the year: | |
| Service Cost | 520,084 |
| Interest | 268,351 |
| Differences Between Expected and Actual Experience | 99,714 |
| Changes of Assumptions | (1,155,853) |
| Benefit Payments, Including Refunds of Employee Contributions | (74,736) |
| Implicit Rate Subsidy Fulfilled | (9,343) |
| Net Changes | (351,783) |
| Balance as of Report Date December 31, 2018 | <u>\$7,423,451</u> |

Sensitivity of the net OPEB liability to changes in the discount rate. The net OPEB liability of the District, as well as what the District's new OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.71%) or one percentage point higher (4.71%) follows:

| | 1% Decrease | Discount Rate | 1% Increase |
|----------------------------|--------------|---------------|--------------|
| | 2.71% | 3.71% | 4.71% |
| Net OPEB Liability (Asset) | \$ 9,176,908 | \$ 7,423,452 | \$ 6,073,142 |

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.40%) or one percentage point higher (8.40%) than current healthcare cost trend rates follows:

| | 1% Decrease | Trend Rate | 1% Increase |
|----------------------------|---------------------------|---------------------------|---------------------------|
| | 6.40% Decreasing to 3.80% | 7.40% Decreasing to 4.80% | 8.40% Decreasing to 5.80% |
| Net OPEB Liability (Asset) | \$ 5,915,154 | \$ 7,423,452 | \$ 9,457,870 |

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the District recognized an OPEB expense of \$673,886. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between Actual and Expected Experience | \$ 88,899 | \$ - |
| Changes of Assumptions | | (1,030,489) |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments | | |
| District Contributions Subsequent to the Measurement Date | | |
| Total | \$ 88,899 | \$ (1,030,489) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Report Year Ending December 31: | Amount |
|---------------------------------|-----------|
| 2019 | (114,549) |
| 2020 | (114,549) |
| 2021 | (114,549) |
| 2022 | (114,549) |
| 2023 | (114,549) |
| Remaining | (368,845) |

For further information the results the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

NOTE 10 - 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, 2018, there are 549 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 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$10,000 of the 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 self-insured retentions 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. The Pool’s 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.

Enduris did not have any claim settlements that exceeded limits in the last three years.

Spokane Regional Health District
Notes to Financial Statements
January 1, 2018 to December 31, 2018

NOTE 11 - 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 12 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2018 were as follows:

| | Amount |
|----------------------------|--------------|
| Client Service Accounts | \$ 580,373 |
| Other Accounts | 189,384 |
| Due From Other Governments | 4,524,950 |
| Total | \$ 5,294,707 |

B. Payables

Payables at December 31, 2018 were as follows:

| | Amount |
|--------------------------|--------------|
| Vendors | \$ 1,566,157 |
| Salaries & Benefits | 322,532 |
| Due to Other Governments | 201,675 |
| Total | \$ 2,090,364 |

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

The District's 2017 financial statements contained a misstatement because a payment of \$1,438,659 received in January 2018 for revenues earned in 2017 was not accrued back. The payment should have been included in the Due From Other Governments and State Funded Local Government Assistance on the 2017 financial statements. To correct the error, a prior period adjustment in the amount of \$1,438,659 has been reported in the 2018 financial statements.

In 2018 there was also an adjustment for the Cumulative Effect of Change in Accounting Principle OPEB for the difference between the Deferred Outflows and Deferred Inflows of \$941,590.

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, 2018

| | BUDGETED AMOUNTS | | ACTUAL AMOUNT | FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-------------------|-------------------|-------------------|--|
| | ORIGINAL | FINAL | | |
| REVENUES | | | | |
| Licenses and Permits | 2,425,305 | 2,425,305 | 2,847,982 | 422,677 |
| Federal Grants | 8,141,574 | 8,141,574 | 8,699,360 | 557,786 |
| State Grants | 7,035,861 | 7,035,861 | 10,093,681 | 3,057,820 |
| Intergovernmental Revenues | 3,437,207 | 3,437,207 | 3,568,551 | 131,344 |
| Interlocal Grants, Entitlements, Impact Payments | 2,039,776 | 2,039,776 | 2,214,608 | 174,832 |
| Charges For Goods And Services | 6,617,335 | 6,617,335 | 6,419,010 | (198,325) |
| Miscellaneous | 87,450 | 87,450 | 359,223 | 271,773 |
| Total Revenues | 29,784,508 | 29,784,508 | 34,202,415 | 4,417,907 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administration | 1,138,972 | 1,138,972 | 2,640,159 | 1,501,187 |
| Community and Family Services | 7,569,327 | 7,569,327 | 10,355,571 | 2,786,244 |
| Health Promotion | 6,106,072 | 6,106,072 | 5,831,214 | (274,858) |
| Treatment Services | 5,543,925 | 5,543,925 | 4,896,209 | (647,716) |
| Environmental Public Health | 4,017,485 | 4,017,485 | 3,890,543 | (126,942) |
| Disease Prevention and Response | 5,542,761 | 5,542,761 | 5,514,067 | (28,694) |
| Capital Outlay | 225,000 | 225,000 | 315,386 | 90,386 |
| Total Expenditures | 30,143,541 | 30,143,541 | 33,443,149 | 3,299,608 |
| Excess (Deficiency) of Revenues over Expenditures | (359,033) | (359,033) | 759,266 | 1,118,299 |
| Net Change in Fund Balance | (359,033) | (359,033) | 759,266 | 1,118,299 |
| Fund Balance - Beginning | 7,358,446 | 7,358,446 | 9,573,870 | 9,065,725 |
| Fund Balance - Ending | 6,999,413 | 6,999,413 | 10,333,136 | 10,184,024 |

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

| | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|
| PERS 1 | | | | |
| SRHD's Proportion of the Net Pension Liability | .100046% | .09719% | .100433% | .093114% |
| SRHD's Proportionate Share of the Net Pension Liability | \$ 4,468,088 | \$ 4,611,741 | \$ 5,393,725 | \$ 4,870,703 |
| SRHD's Covered-Employee Payroll | \$ 13,129,762 | \$ 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 | 34.03% | 38.50% | 46.21% | 44.39% |
| Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability | 63.22% | 61.24% | 57.03% | 59.10% |
| PERS 2/3 | | | | |
| SRHD's Proportion of the Net Pension Liability | .124425% | .118806% | .122157% | .116122% |
| SRHD's Proportionate Share of the Net Pension Liability | \$ 2,124,446 | \$ 4,127,941 | \$ 6,150,508 | \$ 4,149,117 |
| SRHD's Covered-Employee Payroll | \$ 13,129,762 | \$ 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 | 16.18% | 34.46% | 52.70% | 37.81% |
| Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability | 95.77% | 90.97% | 85.82% | 89.20% |

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

| | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|
| PERS 1 | | | | |
| Actuarially/statutorily/contractually determined contribution | \$ 711,409 | \$ 623,952 | \$ 574,477 | \$ 516,937 |
| Actual contribution in relation to the above | \$ 711,409 | \$ 623,952 | \$ 574,477 | \$ 516,937 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 14,163,774 | \$ 12,499,324 | \$ 11,674,274 | \$ 11,489,345 |
| Contributions as a % of covered-employee payroll | 5.02% | 4.99% | 4.92% | 4.50% |
| PERS 2/3 | | | | |
| Actuarially/statutorily/contractually determined contribution | \$ 1,053,547 | \$ 858,653 | \$ 730,267 | \$ 655,235 |
| Actual contribution in relation to the above | \$ 1,053,547 | \$ 858,653 | \$ 730,267 | \$ 655,235 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 14,163,774 | \$ 12,499,324 | \$ 11,674,274 | \$ 11,489,345 |
| Contributions as a % of covered-employee payroll | 7.44% | 6.87% | 6.26% | 5.70% |

REQUIRED SUPPLEMENTARY INFORMATION

Spokane Regional Health District
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Post-employment healthcare benefits
 For the year ended December 31, 2018
 Last 10 Fiscal Years*

| | 2018 |
|---|-------------------------|
| Total OPEB liability - beginning | \$ 7,775,234 |
| Service cost | 520,084 |
| Interest | 268,351 |
| Changes in benefit terms | 0 |
| Differences between expected and actual experience | 99,714 |
| Changes of assumptions | (1,155,852) |
| Benefit payments | (74,736) |
| Implicit Rate Subsidy Fulfilled | (9,343) |
| Other changes | 0 |
| Total OPEB liability - ending | <u>7,423,452</u> |
| Covered-employee payroll** | 15,266,486 |
| Total OPEB liability as a % of covered payroll | 48.63% |

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
 No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|--|---|----------------|----------------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health) | Food Insecurity Nutrition Incentive Grants Program | 10.331 | CLH18262 | 32,201 | - | 32,201 | - | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health) | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | CLH18262 | 2,014,276 | - | 2,014,276 | - | |
| SNAP Cluster | | | | | | | | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State DSHS) | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 1869-34552 | 1,601,955 | - | 1,601,955 | 1,134,882 | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State DSHS) | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 1869-35421 | 14,726 | - | 14,726 | - | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health) | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | CLH18262 | 13,965 | - | 13,965 | - | |
| | | | Total SNAP Cluster: | 1,630,646 | - | 1,630,646 | 1,134,882 | |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health) | WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | CLH18262 | 2,293 | - | 2,293 | - | |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | |
|--|--|----------------|-----------------------|---------------------------------|-----------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Passed through to Subrecipients | |
| | | | | | | Total | Note |
| FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health) | WIC Grants To States (WGS) | 10.578 | CLH18262 | 3,335 | - | 3,335 | - |
| Highway Planning and Construction Cluster | | | | | | | |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-9413 | 76,362 | - | 76,362 | - |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-8940 | 10,398 | - | 10,398 | - |
| FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-9011 | 120 | - | 120 | - |
| Total Highway Planning and Construction Cluster: | | | | 86,880 | - | 86,880 | - |
| Transit Services Programs Cluster | | | | | | | |
| FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Spokane Transit Authority) | Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | N/A | 12,467 | - | 12,467 | - |
| Total Transit Services Programs Cluster: | | | | 12,467 | - | 12,467 | - |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|---|----------------|-----------------------|---------------------------------|-----------------------|---------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA State DCYF) | Special Education- Grants for Infants and Families | 84.181 | 18-1211 | 620,686 | - | 620,686 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Public Health Emergency Preparedness | 93.069 | CLH18262 | 410,312 | - | 410,312 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | CLH18262 | 10,000 | - | 10,000 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Injury Prevention and Control Research and State and Community Based Programs | 93.136 | CLH18262 | 14,943 | - | 14,943 | - | |
| SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via University of Washington) | Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | UWSC10700 | 4,950 | - | 4,950 | - | |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|--|----------------|-----------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Immunization Cooperative Agreements | 93.268 | CLH18262 | 98,736 | - | 98,736 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Immunization Cooperative Agreements | 93.268 | CLH18262 | 110,549 | - | 110,549 | - | 3 |
| Total CFDA 93.268: | | | | 209,285 | - | 209,285 | - | |
| IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Planned Parenthood) | Teenage Pregnancy Prevention Program | 93.297 | N/A | 60,305 | - | 60,305 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (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 | CLH18262 | 11,354 | - | 11,354 | - | |
| CCDF Cluster | | | | | | | | |
| ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Community Minded Enterprises) | Child Care and Development Block Grant | 93.575 | N/A | 10,000 | - | 10,000 | - | |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|---|----------------|----------------------------|---------------------------------|-----------------------|---------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| | | | | 10,000 | - | 10,000 | | |
| | | | Total CCDF Cluster: | | | 10,000 | | |
| CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs) | 93.638 | CLH18262 | 13,621 | - | 13,621 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (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 | CLH18262 | 10,970 | - | 10,970 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | 93.757 | CLH18262 | 234,507 | - | 234,507 | 100,873 | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | 93.758 | CLH18262 | 38,514 | - | 38,514 | - | |
| Medicaid Cluster | | | | | | | | |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|--|----------------|-----------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority) | Medical Assistance Program | 93.778 | K2758 | 23,875 | - | 23,875 | - | |
| CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS) | Medical Assistance Program | 93.778 | 1864-22549 | 50,498 | - | 50,498 | - | |
| CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority) | Medical Assistance Program | 93.778 | K1419 | 310,398 | - | 310,398 | 127,155 | |
| Total Medicaid Cluster: | | | | 384,770 | - | 384,770 | 127,155 | |
| SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority) | Opioid STR | 93.788 | 1866-33076 | 16,490 | - | 16,490 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Organized Approaches to Increase Colorectal Cancer Screening | 93.800 | CLH18262 | 52,426 | - | 52,426 | - | |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|--|---|----------------|-----------------------|---------------------------------|-----------------------|----------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC). | 93.815 | CLH18262 | 125,160 | - | 125,160 | - | |
| | DOMESTIC EBOLA SUPPLEMENT TO THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC). | 93.815 | N/A | 5,743 | - | 5,743 | - | |
| Total CFDA 93.815: | | | | 130,903 | - | 130,903 | - | |
| IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | 93.817 | CLH18262 | 33,920 | - | 33,920 | - | |
| | Maternal, Infant, and Early Childhood Home Visiting Cluster | | | | | | | |
| HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DCYF) | Maternal, Infant and Early Childhood Home Visiting Grant Program | 93.870 | 18-1051-01 | 713,609 | - | 713,609 | - | |
| Total Maternal, Infant, and Early Childhood Home Visiting Cluster: | | | | 713,609 | - | 713,609 | - | |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|---|----------------|-----------------------|---------------------------------|-----------------------|---------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | National Bioterrorism Hospital Preparedness Program | 93.889 | CLH18262 | 748,004 | - | 748,004 | - | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 93.898 | CLH18262 | 359,285 | - | 359,285 | - | |
| HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | HIV Care Formula Grants | 93.917 | CLH18262 | 350,334 | - | 350,334 | - | 4 |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | HIV Prevention Activities Health Department Based | 93.940 | CLH18262 | 62,475 | - | 62,475 | - | |
| SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Spokane County Regional Behavioral Health Organization (SCRBHO)) | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 18BHO2236 | 118,262 | - | 118,262 | - | 4 |

The accompanying notes are an integral part of this schedule.

**Spokane Regional Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Passed through to Subrecipients | Note |
|---|--|----------------|-----------------------|---------------------------------|-----------------------|------------------|---------------------------------------|------|
| | | | | From Pass- Through Awards | From Direct Awards | Total | | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Sexually Transmitted Diseases (STD) Prevention and Control Grants | 93.977 | CLH18262 | 49,024 | - | 49,024 | - | |
| HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health) | Maternal and Child Health Services Block Grant to the States | 93.994 | CLH18262 | 358,863 | - | 358,863 | - | |
| Total Federal Awards Expended: | | | | 8,809,909 | - | 8,809,909 | 1,362,911 | |

The accompanying notes are an integral part of this schedule.

Spokane Regional Health District
Notes to the Schedule of Expenditures of Federal Awards
January 1, 2018 - December 31, 2018

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 \$4,767,318. 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 10.97% which is applied to each CFDA number on this schedule.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Spokane Regional Health District January 1, 2018 through December 31, 2018

This schedule presents the corrective action planned by the 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).

| | |
|---|---|
| Finding ref number: 2018-001 | Finding caption: The District’s internal controls over financial statement preparation were not adequate to ensure accurate and complete financial reporting. |
| Name, address, and telephone of Health District contact person: Kim Kramarz, Accounting Manager Spokane Regional Health District 1101 West College Avenue Spokane, WA 99201 (509) 324-1662 | |
| Corrective action the auditee plans to take in response to the finding: <i>The District appreciates the opportunity to respond to the deficiencies identified by the staff of the Washington State Auditor’s Office and acknowledges that the District did not have sufficient controls in place to ensure that our financial statements were free from error. As noted in the auditor’s report, the District experienced turnover in the Administrator position, which was backfilled by the Comptroller, as a Co-Interim Director. Additionally, the Accounting Manager was backfilling a vacant finance staff position. The vacant finance position also caused a delay in providing data necessary for the actuary to complete the GASB 75 report for the District. The District did not receive the report until May 16th. Therefore, the District employee responsible for preparing and reviewing the financial statements was unable to dedicate sufficient time and resources to ensure accurate and complete financial reports. Prior to uploading the schedules to the SAO website, links are removed from the schedules. Regrettably, this caused the version of the financial statements uploaded to the SAO website on the night of the May 30th deadline to be incomplete. The links removed from the spreadsheet just prior to upload unfortunately removed critical values from the schedules. Omitting these critical values were significant enough to require a finding. The error with the</i> | |

upload was not discovered until the audit when the District's working papers did not agree with the version uploaded to the SAO website. The District immediately fixed the errors identified prior to the close of the audit.

The District will adopt a better review process on the financial statement preparations including ensuring documentation uploaded to the SAO website is complete. In the future, the District will also ensure the finance department has the appropriate staffing resources to complete and review the financial statement preparations. Given the time to perform a proper review, the District is confident that a similar error will not be repeated.

Anticipated date to complete the corrective action: 12/31/2019

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.

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