



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Northeast Tri County Health District

For the period January 1, 2020 through December 31, 2020

September 30, 2021

Report No. 1029183



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

September 30, 2021

Board of Health
Northeast Tri County Health District
Colville, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Northeast Tri County Health District January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Northeast Tri County 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 no deficiencies that we consider to be material weaknesses.

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the District’s compliance with requirements applicable to 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>
21.019	COVID-19 – Coronavirus Relief Fund

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

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Northeast Tri County Health District January 1, 2020 through December 31, 2020

Board of Health
Northeast Tri County Health District
Colville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Northeast Tri County Health District, as of and for the year ended December 31, 2020, 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 22, 2021.

As discussed in Note 4 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown.

As discussed in Note 9 to the financial statements, the District included a prior period adjustment to the 2019 financial statements to correct a misstatement.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we will report to the management of the District in a separate letter dated September 27, 2021.


COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 22, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Northeast Tri County Health District January 1, 2020 through December 31, 2020

Board of Health
Northeast Tri County Health District
Colville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Northeast Tri County 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, 2020. 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, 2020.

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 22, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Northeast Tri County Health District January 1, 2020 through December 31, 2020

Board of Health
Northeast Tri County Health District
Colville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northeast Tri County Health District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northeast Tri County Health District, as of December 31, 2020, 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 4 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the District included a prior period adjustment to the 2019 financial statements 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 14 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 as a whole. 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 22, 2021 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 black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 22, 2021

FINANCIAL SECTION

Northeast Tri County Health District January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020

Statement of Activities – 2020

Balance Sheet – Governmental Funds – 2020

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2020

Notes to the Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – 2020

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Northeast Tri County Health District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

Northeast Tri County Health District presents this narrative overview and analysis (MD & A) of the financial performance for the fiscal year ended December 31, 2020. We encourage the use of this discussion and analysis in conjunction with statements and supplemental schedules included in this report.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$929,332 including a prior adjustment of \$124,651 for a total of \$1,591,857. Majority of the District staff turn their focus to COVID-19 which was billable under COVID funding through the Department of Health. DOH provided over \$2 million in available funding for development, planning, and contact tracing and investigation for COVID-19.
- The District completed its 10-year capital lease obligation in February and the remaining year was negotiated to an annual lease. Any purchase option will have to be re-negotiated.
- The original budget was adopted at \$2,229,460 with one budget amendment during the year for \$243,000 for a total budget of \$2,472,460. The final adopted budget anticipated using \$198,330 of the fund balance.
- The fund balance increased by \$670,991 due to unanticipated revenues from COVID resources under the CARES act.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

The Statement of Net Position and the Statement of Activities

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

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

Fund Financial Statements

The District's basic services are reported in governmental funds, which focus on how money flows and the balances left at year-end that are available for spending. These funds are reported using

an accounting method called a modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

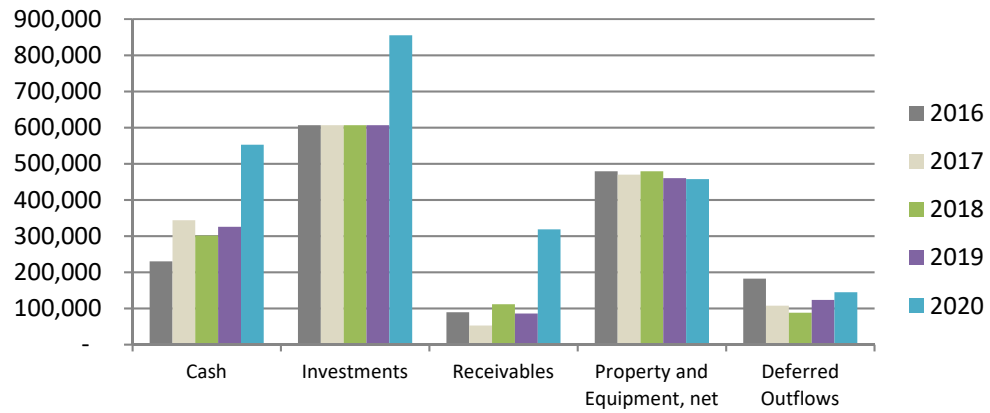
CONDENSED COMPARATIVE FINANCIAL DATA

The following highlights the more significant changes in net position. Cash, investments, and accounts receivable increased by \$833,045. Capital assets change represents depreciation and buying/selling of vehicles. Deferred outflow/inflow of resources is the change related to pensions. Long-term liabilities are pension liability and compensated absences.

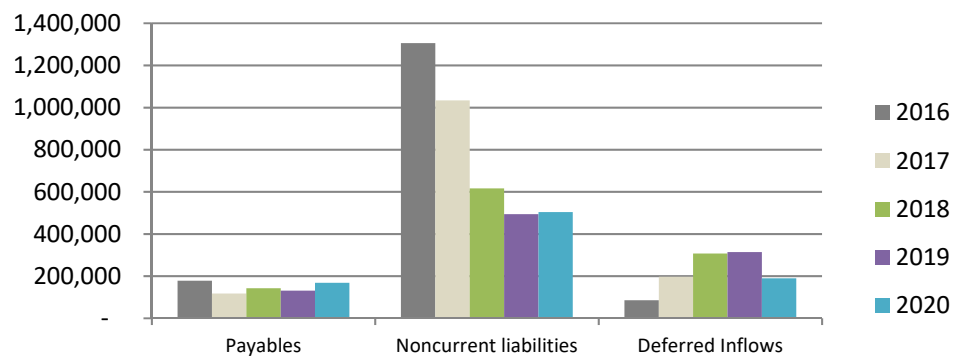
Net Position of Governmental Activities

	Governmental Activities		Variance	%
	2020	2019	Positive (Negative)	Change
Assets:				
Current and other assets	\$ 1,850,909	\$ 1,017,864	833,045	81.84%
Capital Assets	\$ 457,678	\$ 460,113	(2,435)	-0.53%
Total assets	\$ 2,308,587	\$ 1,477,977	830,610	56.20%
Deferred Outflows of Resources	\$ 144,611	\$ 123,703	20,908	16.90%
Liabilities:				
Current liabilities	\$ 168,304	\$ 130,901	(37,403)	-28.57%
Long-term liabilities	\$ 503,675	\$ 493,856	(9,819)	-1.99%
Total Liabilities	\$ 671,979	\$ 624,757	(47,222)	-7.56%
Deferred Inflows of Resources	\$ 189,362	\$ 314,398	125,036	39.77%
Net Position:				
Net Investment in Capital Assets	\$ 457,678	\$ 460,113	(2,435)	-0.53%
Unrestricted	\$ 1,134,179	\$ 202,412	931,767	460.33%
Total net position	\$ 1,591,857	\$ 662,525	929,332	140.27%

Asset Mix

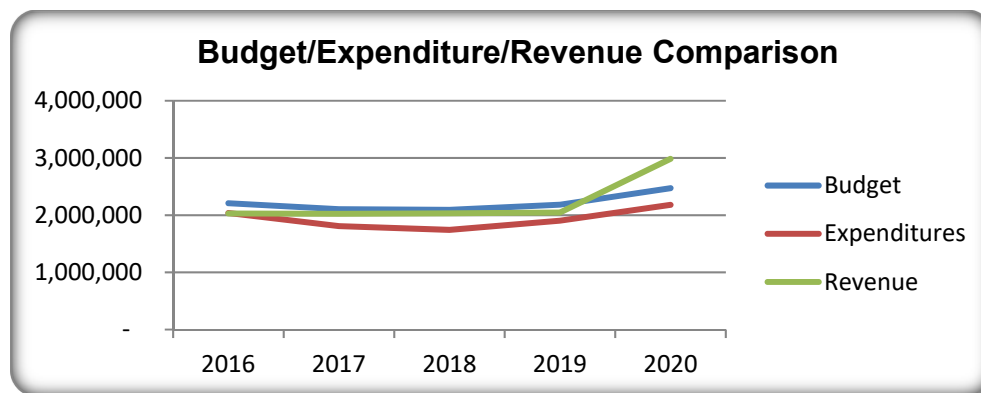


Liability Mix



Changes in Net Position

	Governmental Activities		Variance Positive (Negative)	% Change
	2020	2019		
Revenues				
Charges for Services	\$ 415,187	\$ 408,652	6,535	1.60%
Operating Grants & Contributions	\$ 1,393,409	\$ 600,939	792,470	131.87%
General Revenues	\$ 1,175,912	\$ 1,036,302	139,610	13.47%
Total Revenues	\$ 2,984,508	\$ 2,045,893	938,615	45.88%
Program Expenses				
Public Health	\$ 2,179,827	\$ 1,904,226	(275,601)	-14.47%
Total Expenses	\$ 2,179,827	\$ 1,904,226	(275,601)	-14.47%
Change in Net Position	\$ 804,681	141,667	663,014	468.01%
Total Net Position, January 1	\$ 662,525	\$ 520,858	141,667	27.20%
Prior Year Adjustment	\$ 124,651	\$ -		
Total Net Position, December 31	\$ 1,591,857	\$ 662,525	929,332	140.27%



OVERALL ANALYSIS OF FINANCIAL POSTION AND RESULTS OF OPERATION

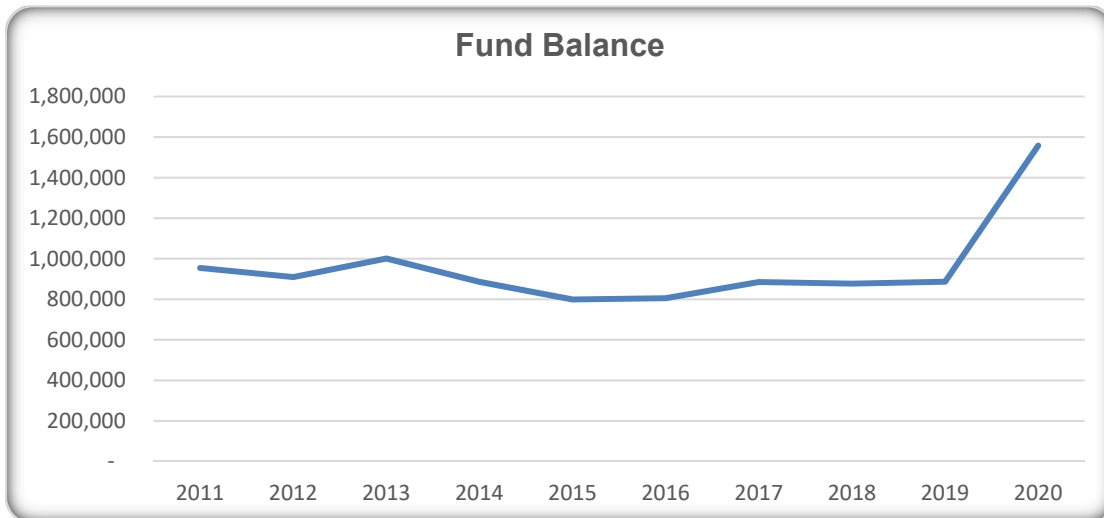
The District's overall financial net position improved this fiscal year with the fund balance increasing by \$670,991.

Recognized in RCW 43.70.512, Foundational Public Health Services (FPHS) are a defined, basic set of programs and capabilities that must be present within governmental public health systems throughout Washington State in the programs of communicable disease control, chronic disease and injury prevention, environmental public health, maternal child family health, access to clinical care, and vital records. FPHS include ensuring that local health jurisdictions have core capabilities within the areas of assessment, emergency preparedness/response, policy development/support, community partnership development, and business competencies. The first funding provided through FPHS occurred in the 2017-2019 state budget and has continued funding for next biennium. The legislature appropriated funding to assist local health jurisdictions in shoring up communicable disease control, a key program within FPHS.

Many District programs were originally suspended while staff focused on COVID which were billable activities that resulted in additional funding resources.

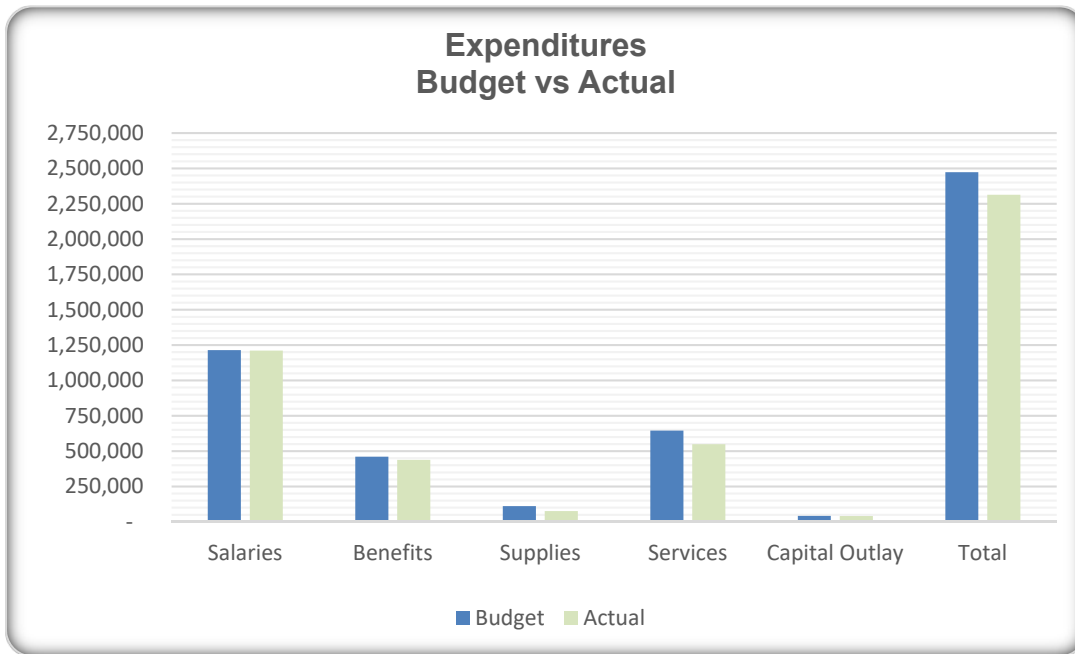
FUND ANALYSIS

The governmental fund reported a balance of \$1,557,954 which is a 76% increase from 2019. The following is a ten-year trend.

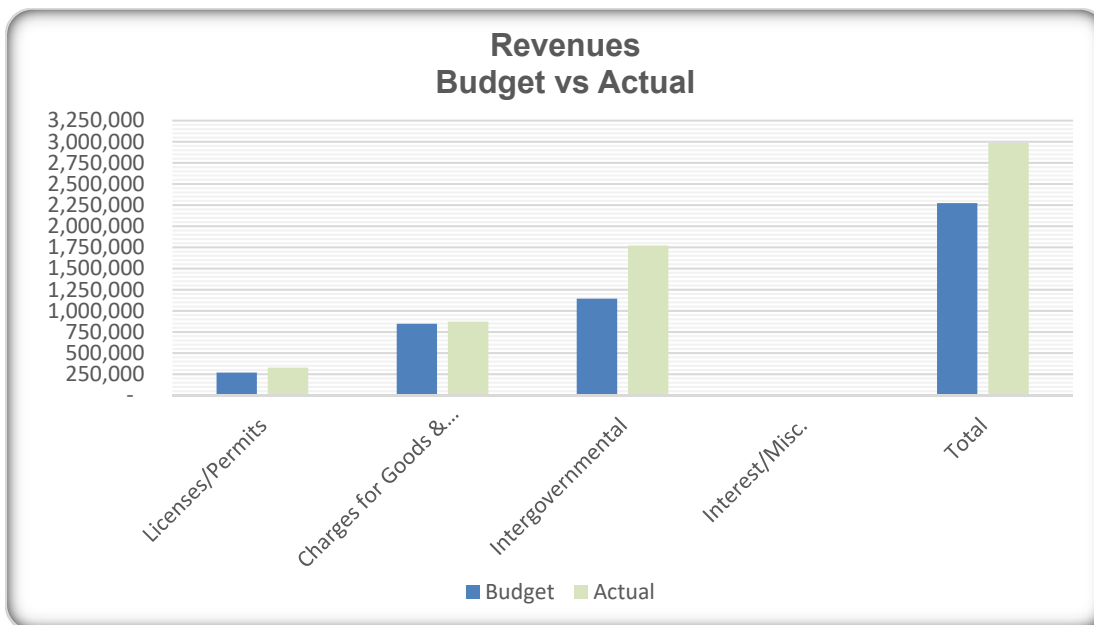


BUDGET VARIANCES IN THE GENERAL FUND

Salaries and benefits make up 71% of the budget. Four staffing position were added associated to COVID funding. The net result was expenditures under budget by \$158,943.



Intergovernmental revenue increased by \$628,937 due to COVID funding. The net result was an increase of \$710,378 from budgeted resources.



CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

Depreciation is the main component in net assets change. The only other activity was the purchase/selling of one vehicle.

	Capital Assets at Year-End (net of depreciation)		Variance Positive (Negative)	% Change
	Governmental			
	Activities			
	<u>2020</u>	<u>2019</u>		
Land	\$ 139,985	\$ 139,985	\$ -	0.00%
Building	\$ 198,346	\$ 214,346	\$ (16,000)	-7.46%
Vehicles and equipment	\$ 119,347	\$ 105,782	\$ 13,565	12.82%
Total capital assets (net)	<u>\$ 457,678</u>	<u>\$ 460,113</u>	<u>\$ (2,435)</u>	<u>-0.53%</u>

Debt

The District completed its ten-year capital lease for the office building in Newport in February. An option to purchase said property at any time during the first ten years was not exercised. An annual lease was negotiated with payments of \$4,417.50 a month.

OTHER POTENTIALLY SIGNICANT MATTERS

COVID-19 had several impacts for the District but was more positive as adjustment were made throughout the year when new information became available.

We were considered essentials workers, so no one was laid off. We made office modifications to keep staff separate from each other and the public, created office space where ever possible, and established policies as needed. At times all offices closed to the public and staff worked from home when feasible.

The extra expenditures incurred was covered by COVID-19 grants. Most of the staff was able to switch their work into COVID related activities and by mid-year we started hiring extra staff with COVID funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Northeast Tri County Health District
240 E. Dominion Ave.
Colville, WA 99114
(509) 684-2262

Northeast Tri County Health District

STATEMENT OF NET POSITION

December 31, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 552,747
Investments	\$855,000
Receivables (net)	\$9,598
Due from Other Governments	\$433,564
Capital assets not being depreciated:	
Land	\$139,985
Capital assets net of accumulated depreciation:	
Buildings	\$198,346
Vehicles and equipment	\$119,347
Total capital assets	<u>\$457,678</u>
Total Assets	<u>\$2,308,587</u>
 DEFERRED OUTFLOWS of RESOURCES	
Deferred outflows related to pensions	<u>\$144,611</u>
Total Deferred Outflows of Resources	<u>\$144,611</u>
 LIABILITIES	
Accounts payable	\$168,304
Noncurrent liabilities:	
Compensated absences	\$129,728
Net pension liability	\$373,947
Total Liabilities	<u>\$671,979</u>
 DEFERRED INFLOWS of RESOURCES	
Deferred inflows related to pensions	<u>\$189,362</u>
Total Deferred Inflows of Resources	<u>\$189,362</u>
 NET POSITION	
Net investment in capital assets	\$457,678
Unrestricted	\$1,134,179
Total Net Position	<u><u>\$1,591,857</u></u>

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

Northeast Tri County Health District

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government
				Governmental Activities
Primary Government:				
Social Services	2,179,827	415,187	1,393,409	(371,231)
Total Governmental Activities	2,179,827	415,187	1,393,409	(371,231)

General Revenues:	
Grants and Contributions not Restricted to Specific Programs	1,161,808
Unrestricted Investment Earnings	5,559
Miscellaneous	8,545
Total General Revenues	1,175,912
Changes in Net Position	804,681
Net Position - Beginning	662,525
Prior Period Adjustment	124,651
Net Position - Ending	1,591,857

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

Northeast Tri County Health District

BALANCE SHEET

Governmental Funds
December 31, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$552,747
Investments	\$855,000
Receivables (net)	\$9,598
Due from Other Governments	\$433,564
Total Assets	<u>\$1,850,909</u>
 LIABILITIES and FUND BALANCES	
Liabilities:	
Accounts Payable	\$168,304
Total Liabilities	<u>\$168,304</u>
 FUND BALANCES	
Assigned	\$21,300
Unassigned	\$1,536,654
Total Fund Balances	<u>\$1,557,954</u>
 Prior Period Adjustment	\$124,651
 Total Liabilities and Fund Balances	<u><u>\$1,850,909</u></u>

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

Amounts reported for <i>governmental activities</i> in the statement of net position are different because: balance in govt. funds	1,557,954
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	457,678
Deferred outflows of resources related to pensions	144,611
Some liabilities are not due and payable in the current period and therefore are not reported in the fund:	
Capital Lease	0
Compensated Absences	(129,728)
Net pension liability	(373,947)
Deferred inflows of resources related to pensions	(189,362)
Prior year adjustment related to Due from Other Governments	124,651
Net position of governmental activities	1,591,857

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

Northeast Tri County Health District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Funds
Year Ended December 31, 2020

	GENERAL FUND
REVENUES	
Licenses and Permits	\$327,675
Charges for Service	\$871,017
Intergovernmental Revenues	\$1,771,712
Investment Earnings	\$5,559
Miscellaneous	\$7,045
Total Revenues	\$2,983,008
EXPENDITURES	
Current:	
General Government	\$2,268,258
Debt Service - Principal	\$4,737
Capital Outlay	\$40,522
Total Expenditures	\$2,313,517
Excess (Deficiency) of Revenues over Expenditures	\$669,491
OTHER FINANCING SOURCES (USES)	
Other Sources	\$1,500
Other Uses	\$0
Total Other Financing Sources and Uses	\$1,500
Net Change in Fund Balances	\$670,991
Fund Balances - Beginning	\$886,963
Fund Balances - Ending	\$1,557,954

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

Change in Fund Balance	\$670,991
Debt Service - Principal (net)	\$4,737
Capital Outlays	\$43,522
Sale of Capital Assets	(\$43,846)
Compensated Absences (net)	(\$31,692)
Depreciation (net)	(\$2,111)
Pension Liabilities (net)	\$163,080
Change in Net Position of Governmental Activities	\$804,681

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

Northeast Tri County Health District

NOTES TO FINANCIAL STATEMENTS

January 1, 2020 through December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District was formed February 1977 with the resolution making the action retroactive to January 1, 1977 and operates under the laws of the state of Washington applicable to special purpose districts/non-profits with board form of government.

As required by the generally accepted accounting principles the financial statements present the District - the primary government.

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

B. Basis of Presentation - Government-Wide 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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. Internally dedicated resources are reported as general revenues rather than program revenues. Grants and contributions not restricted to specific programs are reported as general revenues.

The general fund is the operating fund. It accounts for all the financial resources of the general government.

C. Measurement Focus, Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as 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 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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

D. Budgetary Information

1. Scope of Budget

Annual appropriated budget is adopted for the general fund on the accrual basis of accounting. Expenditures may not exceed appropriations and the budget constitutes the legal authority for expenditures at that level. Appropriations for the general fund lapse at year-end. The District has an established policy intended to provide general procedures to establish and manage the District financial budget.

2. Amending the Budget

The Administrator is authorized to transfer budgeted amounts between object classes; however, any revisions that alter the total expenditures of the District, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Board of Health.

When the Administrator determines that it is in the best interest of the District to increase or decrease the appropriations of the general fund, it may do so by resolution approved by one more than the majority of the Board of Health.

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

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

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

The District invests temporary cash surpluses at its discretion. Stevens County is the treasurer for the Health District. At December 31, 2020, the treasurer was holding \$547,997 in cash. The District also has three bank accounts that include \$3,300 at Washington Federal Banks and \$500 at Banner Bank.

The District has petty cash and change funds in the amount of \$950.00. This amount is classified on the balance sheet as cash and cash equivalents.

2. Investments - See Note #6, *Deposits and Investments*

3. Receivables

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

4. Inventories

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

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

Capital assets, which include property, building, and equipment, are recorded in the government-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of more than \$5,000 and an estimated usefulness more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs for normal maintenance and repairs are not capitalized.

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

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

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

6. Compensated Absences

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

Vacation pay is accrued according to one's percent of full time equivalent and length of service. Employees who work based on 7.5-hour days can accumulate a maximum of 225 hours of vacation. Compensation is based on current wages at termination paid to the employee or to their estate upon death of the employee.

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

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

7. Pensions

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

8. Other Accrued Liabilities

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

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

10. Fund Balance Classification

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

NOTE 2 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 was as follows:

Governmental Activities	Beginning Balance 01/01/2020	Increases	Decreases	Ending Balance 12/31/2020
Capital assets, not being depreciated:				
Land	139,985	0	0	139,985
<u>Total capital assets, not being depreciated</u>	139,985	0	0	139,985
Capital assets, being depreciated:				
Buildings	640,020	0	0	640,020
Machinery and equipment	341,473	43,522	(43,846)	341,149
<u>Total capital assets being depreciated</u>	981,493	43,522	(43,846)	981,169
Less accumulated depreciation for:				
Buildings	(425,674)	0	(16,000)	(441,674)
Machinery and equipment	(235,691)	42,265	(28,376)	(221,802)
<u>Total accumulated depreciation</u>	(661,365)	42,265	(44,376)	(663,476)
<u>Total capital assets, being depreciated, net</u>	320,128	85,787	(88,222)	317,693
Governmental activities capital assets, net	460,113	85,787	(88,222)	457,678

NOTE 3 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2020	Additions	Reductions	Ending Balance 12/31/2020	Due Within One Year
Governmental Activities:					
Capital Lease	4,737	0	(4,737)	0	0
Net Pension Liability	391,083		(17,136)	373,947	0
Compensated absences	98,036	43,772	(12,080)	129,728	0
Governmental activity long-term liabilities:	493,856	43,772	(33,953)	503,675	0

Compensated absences are generally liquidated by the general fund.

NOTE 4 – COVID-19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations travel and non-essential activities.

The District is actively participating in developing, planning, and contact tracing and investigation for which the Department of Health has dedicated funds to support such activities.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the District is unknown at this time.

NOTE 5 - CONTINGENCIES AND LITIGATIONS

The 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 District will have to make payment. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

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

NOTE 6 - DEPOSITS AND INVESTMENTS

The District deposits are made with the Stevens County Treasurer who complies with Washington State laws. They are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The District invests temporary cash surpluses at its discretion. Stevens County Treasurer was holding \$547,997 in cash for the District and the remainder of funds was invested. The District also has three bank accounts that include \$3,300 at Washington Federal Banks and \$500 at Banner Bank. If cash is needed, the District will request the County Treasurer's office to transfer investment to cash.

As of December 31, 2020, the Stevens County Treasurer held the following at cost investments in the State Investment Pool at no custodial credit risk for the District:

GENERAL FUND
\$855,000

Investments in Stevens County Investment Pool

The District is a participant in the Stevens County investment pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the Pool at amortized cost, which is the same as the value of the Pool per share. The County's investment policy is established by the Finance Committee consisting of the Chairman of the Board of Commissioners, the Treasurer, the Finance Director, and the Auditor. Primary objectives of the policy, in order of priority, are safety, liquidity, and return on investment. The county external investment pool does not have a credit rating and has a weighted average maturity of 60 days or less.

NOTE 7 – LEASE

A. Operating Leases

The District leases the office buildings and other equipment under non-cancelable operating leases. Total cost for such leases was \$79,615 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
*2021	78,426
2022	9,576
2023	9,576
2024	9,232
2025	2,504
Total	\$109,314

*The 2020 lease cost and future 2021 lease payments include the commercial lease agreement disclosed below that was classified as a capital lease in the prior year, but is not considered an operating lease by the District.

B. Capital Leases

The District entered into a commercial lease agreement on August 25, 2009 with commencement date of February 1, 2020. This is a ten-year lease with option to renew lease or purchase the building at 605 Highway 20 in Newport Washington.

The original lease ended on January 31, 2020, and the District did not select to renew the lease as an annual lease. The District instead had a verbal month to month agreement with the owner of the commercial property for the same monthly amount as the prior lease agreement. Based on the nature of the arrangement, the District determined that this should be reported as an operating lease and it is disclosed in the section above.

NOTE 8 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(373,947)
Pension assets	0
Deferred outflows of resources	144,611
Deferred inflows of resources	(189,362)
Pension expense/expenditures	(12,009)

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 that includes financial statements and required supplementary information for each plan. The DRS Comprehensive Annual Financial Report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Or the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September - December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

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

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 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 .018 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September - December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

*For employees participating in JBM, the contribution rate was 19.75%.

The District's actual PERS plan contributions were \$56,995 to PERS plan 1 and \$94,072 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the

measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries', to protect mortality rates for every year after the 2010 base table. 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.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4 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.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	318,752	254,481	198,430
PERS 2/3	743,350	119,466	(394,303)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, the District's reported a total pension liability of \$373,947 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	254,481
PERS 2/3	119,466

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.007668%	.007208%	.00046%
PERS 2/3	.009906%	.009341%	.000565%

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

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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the District's recognized pension expense as follows:

	Pension Expense
PERS 1	(\$6,057)
PERS 2/3	(\$5,952)
TOTAL	(\$12,009)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$1,417)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$29,334	\$0
TOTAL	\$29,334	(\$1,417)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$42,767	(\$14,972)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$6,067)
Changes of assumptions	\$1,702	(\$81,606)
Changes in proportion and differences between contributions and proportionate share of contributions	\$22,761	(\$85,301)
Contributions subsequent to the measurement date	\$48,047	\$0
TOTAL	\$115,277	(\$187,945)

Total Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$42,767	(\$14,972)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$7,484)
Changes of assumptions	\$1,702	(\$81,606)
Changes in proportion and differences between contributions and proportionate share of contributions	\$22,761	(\$85,301)
Contributions subsequent to the measurement date	\$77,381	\$0
TOTAL	\$144,611	(\$189,363)

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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1	PERS 2/3
2021	(\$6,430)	(\$64,967)
2022	(\$202)	(\$27,245)
2023	\$1,962	(\$13,272)
2024	\$3,253	(\$2,794)
2025	\$0	(\$4,989)
Thereafter	\$0	(\$7,448)
Total	(\$1,417)	(\$120,716)

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The District's 2019 financial statements contained a misstatement because a payment of \$124,651.50 received in January 2020 for revenue earned in 2019 was not accrued back. The payment should have been included in the Due From Other Governments and State Funded Local Government Assistance on the 2019 financial statements. To correct the error, a prior period adjustment in the amount of \$124,651.50 has been reported in the 2020 financial statements.

NOTE 10 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

Receivables at December 31, 2020 were as follows:

	Accounts	Taxes	Special Assessments	Due from Other Government	Other	Total
Governmental Activities:	0	0	0	\$433,564	\$9,598	\$443,162

B. Payables

Payables at December 31, 2020 were as follows:

	Vendors	Salaries and benefits	Total
Governmental Activities:	\$27,931	\$140,373	\$168,304

NOTE 11 - RISK MANAGEMENT

The District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two counties and two cities in the State of Washington joined

together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 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. 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 liability loss.
- \$250,000 self-insured retention on property loss – the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. For property losses related to boiler and machinery, Enduris is responsible for the \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies of a “per occurrence” basis to cover all losses over the self-insured retention 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 \$800 million 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 remain in the Pool for a minimum of one 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.

The Pool is governed by a Board of Directors which is comprised of seven board members. 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.

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

NOTE 12 – SUBSEQUENT EVENTS

On July 1, 2021, the District purchased the building that was originally a commercial lease for \$541,320.70. This was classified as a capital lease for the past ten years and when the lease agreement expired in 2020, it became a verbal month to month agreement considered an operating lease for 2021. This purchase will reduce the operating lease on Note 7, year 2021 by \$30,953.

Required Supplementary Information
Northeast Tri County Health District

BUDGETARY COMPARISON SCHEDULE

General Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Budgetary Fund Balance, January 1			\$ 886,963	
Resources (Inflows):				
Licenses and Permits	\$ 268,600	\$ 268,600	\$ 327,675	\$ 59,075
Charges for Goods and Services	\$ 846,755	\$ 846,755	\$ 871,017	\$ 24,262
Intergovernmental Revenues	\$ 899,775	\$ 1,142,775	\$ 1,771,712	\$ 628,937
Miscellaneous	\$ 6,000	\$ 6,000	\$ 8,545	\$ 2,545
Interest Received	\$ 10,000	\$ 10,000	\$ 5,559	\$ (4,441)
Amounts Available for Appropriation	<u>\$ 2,031,130</u>	<u>\$ 2,274,130</u>	<u>\$ 2,984,508</u>	<u>\$ 710,378</u>
Charges to Appropriations (Outflows):				
General Government:				
Public Health	\$ 2,187,460	\$ 2,430,460	\$ 2,272,965	\$ 157,495
Capital Outlay	\$ 42,000	\$ 42,000	\$ 40,552	\$ 1,448
Total Charges to Appropriations	<u>\$ 2,229,460</u>	<u>\$ 2,472,460</u>	<u>\$ 2,313,517</u>	<u>\$ 158,943</u>
Budgetary Fund Balance, December 31			<u>\$ 1,557,954</u>	

Required Supplementary Information – State Sponsored Plans
Northeast Tri County Health District

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS 1
As of June 30, 2020
Last 10 Fiscal Years

		2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	.007208%	.007668%	.006935%	.009006%	.009121%	.010022%
Employer's proportionate share of the net pension liability	\$	254,481	294,862	309,719	427,342	489,841	524,244
Employer's covered employee payroll	\$	1,108,681	1,077,106	1,023,034	1,037,826	1,153,044	1,172,249
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	22.95%	27.38%	30.27%	41.18%	42.48%	44.72%
Plan fiduciary net position as a percentage of the total pension liability	%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

PERS 2/3
As of June 30, 2020
Last 10 Fiscal Years

		2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	.009341%	.009906%	.008949%	.011584%	.012038%
Employer's proportionate share of the net pension liability	\$	119,466	96,221	152,796	402,489	606,104
Employer's covered employee payroll	\$	1,108,681	1,077,106	1,023,034	1,037,826	1,153,044
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	10.78%	8.93%	14.94%	38.78%	52.57%
Plan fiduciary net position as a percentage of the total pension liability	%	97.22%	97.77%	95.77%	90.97%	85.82%

Notes to Schedule:

*Until a full 10-year trend is completed, only information for those years available is presented

Required Supplementary Information – State Sponsored Plans
Northeast Tri County Health District

SCHEDULE OF EMPLOYER CONTRIBUTIONS

PERS 1
As of December 31, 2020
Last 10 Fiscal Years

		2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$	56,995	52,505	53,759	49,916	51,864	50,688
Contributions in relation to the statutorily or contractually required contributions	\$	(56,995)	(52,505)	(53,759)	(49,916)	(51,864)	(50,688)
Contribution deficiency (excess)	\$	0	0	0	0	0	0
Covered employer payroll	\$	1,188,956	1,067,544	1,061,679	1,024,802	1,089,988	1,167,378
Contributions as a percentage of covered employee payroll	%	4.79%	4.92%	5.06%	4.87%	4.76%	4.34%

PERS 2/3
As of December 31, 2020
Last 10 Fiscal Years

		2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$	94,072	81,906	79,627	70,458	69,682	68,102
Contributions in relation to the statutorily or contractually required contributions	\$	(94,072)	(81,906)	(79,627)	(70,458)	(69,682)	(68,102)
Contribution deficiency (excess)	\$	0	0	0	0	0	0
Covered employer payroll	\$	1,188,956	1,067,544	1,061,679	1,024,802	1,089,988	1,167,378
Contributions as a percentage of covered employee payroll	%	7.91%	7.67%	7.50%	6.88%	6.39%	5.83%

Notes to Schedule:

*Until a full 10-year trend is completed, only information for those years available is presented

Northeast Tri County Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
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	207WAWA1W500 3	7,263	-	7,263	1
	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	197WAWA1W500 3	3,425	-	3,425	1
	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	207WAWA7W100 3	161,283	-	161,283	1
	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	207WAWA7W100 3	1,480	-	1,480	1
Total CFDA 10.557:				173,451	-	173,451	
Child Nutrition Cluster							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	202000403	1,071	-	1,071	1,4
Total Child Nutrition Cluster:				1,071	-	1,071	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	207WAWA7Y860 4	693	-	693	1
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Health)	COVID 19 - Coronavirus Relief Fund	21.019	CLH18254	720,583	-	720,583	1,4

CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	NU90TP922043	46,631	-	46,631	-	1
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	NH23IP922619	2,783	-	2,783	-	1
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	CLH18254	26,650	-	26,650	-	3
Total CFDA 93.268:				29,433	-	29,433	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000515	16,114	-	16,114	-	1
Total CFDA 93.323:				16,114	-	16,114	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Medical Assistance Program	93.778	K3073	60,445	-	60,445	-	
Total Medicaid Cluster:				60,445	-	60,445	-	
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	BO4MC32578	31,140	-	31,140	-	1
Total Federal Awards Expended:				1,079,561	-	1,079,561	-	

Northeast Tri County Health District

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

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

NOTE 3 – NONCASH AWARD

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 Washington State Department of Health.

NOTE 4 - PROGRAM COSTS

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

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