



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Snohomish Health District

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

Published November 15, 2021

Report No. 1029348



Find out what's new at SAO
by scanning this code with
your smartphone's camera



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

November 15, 2021

Board of Health
Snohomish Health District
Everett, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Snohomish 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

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
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.....	9
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	12
Independent Auditor's Report on the Financial Statements.....	15
Financial Section.....	18
Corrective Action Plan for Findings Reported Under Uniform Guidance	63
About the State Auditor's Office.....	64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Snohomish Health District January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Snohomish 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 basic financial statements 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>
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 qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2020-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Snohomish Health District January 1, 2020 through December 31, 2020

2020-001 The District lacked adequate internal controls for ensuring accurate financial reporting on the Schedule of Expenditures of Federal Awards.

Background

District management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure the District accurately reports its financial activity. The District prepares its financial statements in accordance with generally accepted accounting principles (GAAP) and prepares a Schedule of Expenditures of Federal Awards (SEFA) as part of its annual financial report. Uniform Guidance requires grant recipients to report all federal program expenditures on the SEFA.

Description of Condition

The District's internal controls over financial reporting on the SEFA were insufficient for ensuring accurate reporting. During audit planning, we discovered that the District did not include all of the federal funds it expended during the year. Specifically, the District did not include grant expenditures related to the Coronavirus Relief Fund (CRF) (CFDA 21.019).

We consider this deficiency in internal controls over financial reporting to be a material weakness.

Cause of Condition

Since the Washington State Department of Health submits most of the District's federal award information directly to the District's Finance Department, the District's individual departments do not regularly provide information about federal grant expenditures. The CRF was a new type of grant for the District, and it lacked a process for ensuring that all of its departments submitted relevant information about CRF expenditures to the Finance Department.

Further, the District did not take the time to verify the accuracy and completeness of the information about federal expenditures when it prepared the SEFA. Therefore, the District's review process over preparing the SEFA was insufficient for detecting and correcting errors.

Effect of Condition

The District did not report \$5,648,232 in expenditures related to the CRF grant on the SEFA. The omitted dollar amount is significant and required additional audit work to ensure compliance with federal requirements.

Inaccurate reporting of federal expenditures can mean more time is needed for an audit, which also increases its cost. An unexpected audit delay can mean a missed reporting deadline, which can jeopardize future federal funding.

Recommendation

We recommend the District strengthen its internal controls over preparing the SEFA to ensure it is prepared in accordance with Uniform Guidance. Specifically, we recommend the District:

- Develop a process for ensuring individual departments submit all relevant information about federal expenditures to the Finance Department.
- Provide training to all employees responsible for submitting federal expenditure information to ensure they have sufficient knowledge of reporting requirements.

District's Response

The District would like thank the auditors for their comments and guidance. This finding was the result of a need for enhanced training for District staff regarding SEFA reporting. The grantor-prepared grant coversheet stated that the District was a vendor and not a subcontractor. However, after further review of the signed agreement, it was noted that the coversheet prepared by the grantor was incorrect, and the District was actually a subrecipient, requiring reporting on the SEFA. Despite the SEFA being submitted incorrectly, the funds were properly accounted for once identified, and the SEFA was promptly corrected to include the grant. Measures are now in place to ensure that staff rely on the executed documents for award information, and not the grantor-prepared supplementary documentation.

Auditor's Remarks

We appreciate the steps the District has taken to resolve these issues. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, 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.

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*

Snohomish Health District January 1, 2020 through December 31, 2020

Board of Health
Snohomish Health District
Everett, 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 Snohomish 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 October 27, 2021.

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 2020-001 to be material weaknesses.

We also noted certain matters that we have reported to the management of the District in a separate letter dated October 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*.

DISTRICT'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

October 27, 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

Snohomish Health District January 1, 2020 through December 31, 2020

Board of Health
Snohomish Health District
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Snohomish 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

October 27, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Snohomish Health District January 1, 2020 through December 31, 2020

Board of Health
Snohomish Health District
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Snohomish Health District 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 18.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Snohomish Health District, as of December 31, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements 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 October 27, 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

October 27, 2021

FINANCIAL SECTION

Snohomish 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

Governmental Funds Balance Sheet – 2020

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Schedule of Changes in the Total Pension Liability and Related Ratios – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Snohomish Health District's discussion and analysis offers readers of the District's financial statements a narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2020. Readers are encouraged to consider the information presented here in combination with the information furnished in the basic financial statements and required supplemental information.

FINANCIAL HIGHLIGHTS

- As reported on its Statement of Net Position, the District's assets and deferred outflows exceeded its liabilities and deferred inflows at December 31, 2020, resulting in a positive net position of \$72,015.

The improvement in the District's financial position can be primarily attributed to COVID-19 response as discussed in the Budget Variances in the General Fund. In addition, the District's position improved as a result of transferring its Women, Infants & Children (WIC) program to a community partner, SeaMar Community Health Centers, in June of 2020. The WIC program had budgeted deficits for 2020 and 2019 of (\$638,269) and (\$1,062,766) respectively.

- The District's fund balance increased by \$3,765,647 in 2020. As of December 31, 2020 the District's governmental activities reported combined ending fund balance of \$11,793,904. Of this balance, \$1,974,651 is restricted for future use by contract/grant or fee requirements. The non-spendable portion of the fund balance is \$385,772 associated with prepaid expenditures.

As discussed above, the improvement in the District's fund balance is a result of the transfer of the WIC clinic to a community partner and COVID-19 activities discussed in the Budget Variances in the General Fund.

The District's general fund is the operating fund of the District. This fund accounts for all financial resources except those accounted for in the special revenue and fiduciary funds.

The former Public Health Emergency Preparedness and Response special revenue fund that accounted for activity relating to the District's role as the lead agency for the emergency preparedness and response activities in Washington State's Public Health Emergency Planning Region 1-North was rolled into the General Fund in 2020 as these activities are part of normal operations.

The District's Fiduciary Fund are funds held in trust related to the District's flexible benefit plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These financial statements have the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The governmental activities of Snohomish Health District include a full range of public health services.

Capital Asset Activity

A schedule summarizing capital asset activity and the District's capitalization policies are provided in Financial Statement Note 1 F(4). The District's total investment in capital assets is \$3,089,590 net of accumulated depreciation at the end of 2020. The investment in capital assets includes land, buildings, improvements, equipment, furniture and vehicles. The decrease in the net investment in capital assets is due to the replacement of the Rucker Building wheelchair lift, purchases of equipment for the Covid19 pandemic response and IT infrastructure purchases totaling \$182,549 less the current year's depreciation of \$260,510 and less the loss on disposal previous wheelchair lift and decommissioned tenant improvements at the WIC location in the South County building of (\$136,473).

The Rucker Building – The District purchased the land and building at 3020 (Rucker Building), in Everett, Washington in 1990.

The District continues to account for the Rucker Building as a capital asset with no outstanding debt, or shared equity.

During 2020 and continuing into 2021, a Rucker Building Task Force, consisting of staff and Board of Health members, was convened to evaluate and make recommendations for future use of the building. In 2020, the District retained Malum Architects to help design a plan for reducing the footprint of the Health District and performing overdue repairs and maintenance with the intent to rent out currently unused space of approximately 15,000 square feet of the total building square footage of 66,000 (23%).

Statement of Net Position

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the net difference among these items reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of changes in the District's financial position.

The District's assets and deferred outflows exceeded its liabilities and deferred inflows by the amount of \$72,015 at December 31, 2020. This is a \$3,126,573 increase over the net position of negative \$3,054,558 reported as of December 31, 2019. This improvement in the net position was largely related to Covid19 pandemic response activities.

The District adopted GASB Statement No. 75 in 2017, 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 not been restated because the necessary information is not available.

The following presents the District's condensed comparative statement of net position as of December 31, 2020 and 2019.

Governmental Activities

	2020	2019
Current assets	\$ 15,901,785	\$ 11,087,123
Capital assets (net of depreciation)	3,089,590	3,304,024
Total assets	18,991,375	14,391,147
Deferred Outflows	912,614	835,377
Current liabilities	4,447,089	3,209,156
Long-term liabilities	14,040,996	12,795,704
Total liabilities	18,488,085	16,004,860
Deferred Inflows	1,343,889	2,276,113
Net Position:		
Invested in capital assets	3,089,590	3,304,024
Restricted	1,974,651	265,664
Unrestricted	(4,992,226)	(6,624,136)
Total Net Position	\$ 72,015	\$ (3,054,448)

Statement of Activities

The statement of activities details how the District's net position changed during 2020. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The following presents the District's condensed comparative statement of activities for the years ending December 31, 2020 and 2019:

	2020	2019
Program Revenues		
Charges for Services	\$ 7,689,124	\$ 7,657,758
Operating Grants & Contributions	10,622,673	3,880,932
General Revenues		
Grants & Contributions not restricted to specific programs	4,571,834	4,222,183
Interest and investment earnings	105,685	219,044
Miscellaneous	386,818	423,264
Total Revenues	23,376,134	16,403,181
Program Expenses		
Public Health	20,249,671	15,708,407
Total Expenses	20,249,671	15,708,407
Change in Net Position	3,126,463	694,774
Net Position Beginning	(3,054,448)	(3,749,222)
Net Position Ending	\$ 72,015	\$ (3,054,448)

The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, e.g., accounts receivable.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Snohomish Health District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal activities. All of the funds of the District are classified as governmental funds.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present columns of financial data for the General Fund. The General Fund is considered to be a major fund based on criteria established by GASB Statement No. 34. GASB Statement No. 34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise 1) at least 10 percent of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5 percent of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.

The District adopts an annual budget for its General Fund.

A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund to demonstrate compliance with budget.

Budget Variances in the General Fund

The District receives grants and other funding from various governmental agencies, each having its own schedule of multi-year grants, associated renewals and variations in funding levels.

In 2020, total revenues were below the budget by \$5,292,468 and expenditures were below budget by \$7,150,414. The variances were largely caused by the challenges of budgeting during swiftly moving changes attributable to the COVID-19 pandemic response. The District ended 2020 with a surplus of \$3,765,647, which is \$1,857,946 greater than the budgeted surplus of \$1,907,701. Of the surplus, \$1,974,651 of the funds are restricted. The restricted funds arose due to diversion of staffing away from fee supported work and funding sources where the revenue was received in advance to pandemic response. Many other grant funded and non-funded programs which would normally have needed undesignated funds, such as State Public Health funding, to backfill deficits did not need those funds as staff were also diverted to pandemic response.

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Licenses and Permits	\$ 4,020,594	\$ 3,577,892	\$ 4,212,455
Intergovernmental	10,345,762	22,383,413	17,049,149
Charges for Services	2,018,204	2,449,479	1,622,027
Miscellaneous	369,445	257,818	492,503
Total Revenues	16,754,005	28,668,602	23,376,134
Expenditures:			
Public Health:			
Personnel Services	\$ 13,067,643	\$ 20,042,980	\$ 14,098,359
Supplies	226,940	2,386,930	594,572
Other Services and Charges	3,389,422	3,974,991	4,735,007
Capital Outlay	70,000	356,000	182,549
Total Expenditures	\$ 16,754,005	\$ 26,760,901	\$ 19,610,487
Excess (deficiency) of revenues over expenditures	0	1,907,701	3,765,647
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	\$ -	\$ -	
Transfers In	-	-	-
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	-	1,907,701	3,765,647
Fund Balance as of January 1, 2020	8,028,257	8,028,257	8,028,257
Fund Balance as of December 31, 2020	\$ 8,028,257	\$ 9,935,958	\$ 11,793,904

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

SNOHOMISH HEALTH DISTRICT
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,107,556
Investments	7,428,990
Receivables, net	6,979,467
Prepayments	385,772
Capital assets:	
Land (non-depreciable)	600,000
Building, net of accumulated depreciation	2,180,051
Other, net of accumulated depreciation	309,539
Total Assets	\$ 18,991,375
Deferred Outflows of Resources	
Pension Items (see Note 4)	\$ 912,614
Total Deferred Outflows of Resources	\$ 912,614
Liabilities	
Accounts Payable	\$ 1,026,080
Other Accrued Liabilities	737,707
Revenue Collected in Advance	2,344,094
Compensated absences:	
Due within one year	339,208
Due after one year	1,078,454
Pension Liability - due after one year	3,133,051
OPEB Obligation:	
Due within one year	190,237
Due after one year	9,639,254
Total Liabilities	\$ 18,488,085
Deferred Inflows of Resources	
Pension Items (see Note 6)	\$ 1,343,889
Total Deferred Inflows of Resources	\$ 1,343,889
Net Position	
Net Investment in Capital Assets	\$ 3,089,590
Restricted	1,974,651
Unrestricted	(4,992,226)
Total Net Position	\$ 72,015

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT
Statement of Activities
For the Year Ended December 31, 2020

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
	Expenses	Charges for Service	Operating Grants & Contributions	
Primary Government:				
Public Health	\$ 20,249,671	\$ 7,127,641	\$ 11,184,156	\$ (1,937,874)
Total Governmental Activities	\$ 20,249,671	\$ 7,127,641	\$ 11,184,156	\$ (1,937,874)
General revenues:				
Grants & Contributions not restricted to specific programs				4,571,834
Interest and investment earnings				105,685
Miscellaneous				386,818
Total General Revenues				5,064,337
Change in Net Position				3,126,463
Net Position Beginning				\$ (3,054,448)
Net Position Ending				\$ 72,015

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT

Balance Sheet Government Funds

December 31, 2020

	General Fund	Total All Governmental Funds
Assets and Deferred Outflows of Resources		
Cash and Cash equivalents	\$ 1,107,556	\$ 1,107,556
Investments	7,428,990	7,428,990
Receivables, net	6,979,467	6,979,467
Prepayments	385,772	385,772
Total Assets	<u>\$ 15,901,785</u>	<u>\$ 15,901,785</u>
Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflows of Resources	\$ 15,901,785	\$ 15,901,785
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Accounts Payable	\$ 1,026,080	\$ 1,026,080
Other Liabilities	731,833	731,833
Revenue Collected in Advance	2,344,094	2,344,094
Security Deposits	5,874	5,874
Total Liabilities	4,107,881	4,107,881
Deferred Inflows of Resources	-	-
Fund Balances		
Non-Spendable	385,772	385,772
Restricted	1,974,651	1,974,651
Unassigned	9,433,481	9,433,481
Total Fund Balances	<u>11,793,904</u>	<u>11,793,904</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,901,785</u>	<u>\$ 15,901,785</u>

Reconciliation to the Statement of Net Position:

Total Fund Balances, per above	\$ 11,793,904
Amounts reported in the above Balance Sheet differ from amounts reported in the Statement of Net Position by the following items:	
Capital assets, not reported in the funds	3,089,590
Deferred outflows pertaining to pension activity, not reported in the fund	912,614
Deferred inflows pertaining to pension activity, not reported in the fund	(1,343,889)
Liabilities for compensated absences due and payable later than the end of the current period, not reported in the funds	(1,417,662)
Liabilities for net other post employee benefits (OPEB) due and payable later than the current period, not reported in the funds	(9,829,491)
Liabilities for pensions due and payable later than the end of the current period, not reported in the funds	(3,133,051)
Total Net Position, per Statement of Net Position	<u>\$ 72,015</u>

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Total Governmental Funds
Revenues		
Licenses and Permits	\$ 4,212,455	\$ 4,212,455
Intergovernmental	17,049,149	17,049,149
Charges for Services	1,622,027	1,622,027
Miscellaneous	492,503	492,503
Total Revenues	<u>\$ 23,376,134</u>	<u>\$ 23,376,134</u>
Expenditures		
Personnel Services	\$ 14,098,359	\$ 14,098,359
Supplies	594,572	594,572
Other Services and Charges	4,735,007	4,735,007
Capital Outlay	182,549	182,549
Total Expenditures	<u>\$ 19,610,487</u>	<u>\$ 19,610,487</u>
Excess (deficiency) of revenues over (under) expenditures	3,765,647	3,765,647
Net Change in Fund Balances	3,765,647	3,765,647
Fund Balance as of January 1, 2020	8,028,257	8,028,257
Fund Balance as of December 31, 2020	<u>\$ 11,793,904</u>	<u>\$ 11,793,904</u>

Reconciliation to the Statement of Activities:

Net Change in Fund Balances, per above	\$ 3,765,647
Amounts reported in the above Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds differ from amounts reported in the Statement of Activities by the following items:	
Decrease (increase) to deferred inflows for pension activities	932,224
Increase (decrease) to deferred outflows for pension activities	77,237
Decrease (increase) to the liability for compensated absences	(308,349)
Governmental funds report capital outlays as expenditures. The Statement of Activities reports the cost of capital assets as capitalized and depreciated over their estimated useful lives.	
Expenditures for capital assets	182,549
Loss on disposal of capital assets	
Less current year depreciation	(396,983)
Decrease (increase) to the liability for the net OPEB obligation	(1,653,782)
Decrease (increase) to the liability for pensions	527,920
Change in Net Position, per Statement of Activities	<u>\$ 3,126,463</u>

The accompanying notes are an integral part of this statement.

SNOHOMISH HEALTH DISTRICT

Statement of Revenue, Expenditures Changes in Fund Balance - Budget to Actual
For the Year Ended December 31, 2020

	General Fund			Total Governmental Funds
	Original Budget	Final Budget	Actual	Actual
Revenues:				
Licenses and Permits	\$ 4,020,594	\$ 3,577,892	\$ 4,212,455	\$ 4,212,455
Intergovernmental	10,345,762	22,383,413	17,049,149	17,049,149
Charges for Services	2,018,204	2,449,479	1,622,027	1,622,027
Miscellaneous	369,445	257,818	492,503	492,503
Total Revenues	16,754,005	28,668,602	23,376,134	23,376,134
Expenditures:				
Public Health:				
Personnel Services	\$ 13,067,643	\$ 20,042,980	\$ 14,098,359	\$ 14,098,359
Supplies	226,940	2,386,930	594,572	594,572
Other Services and Charges	3,389,422	3,974,991	4,735,007	4,735,007
Capital Outlay	70,000	356,000	182,549	182,549
Total Expenditures	\$ 16,754,005	\$ 26,760,901	\$ 19,610,487	\$ 19,610,487
Excess (deficiency) of revenues over expenditures	0	1,907,701	3,765,647	3,765,647
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	\$ -	\$ -		\$ -
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	1,907,701	3,765,647	3,765,647
Fund Balance as of January 1, 2020	8,028,257	8,028,257	8,028,257	8,028,257
Fund Balance as of December 31, 2020	\$ 8,028,257	\$ 9,935,958	\$ 11,793,904	\$ 11,793,904

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Snohomish Health District (the District) were 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 principals. The significant accounting policies are described below.

A. Reporting Entity

The District was incorporated in 1959 and operates under the laws of the State of Washington applicable to local governmental units. As required by GAAP, the financial statements present Snohomish Health District as the primary government.

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 non-fiduciary activities of the primary government. The effect of inter-fund activity has been substantially eliminated from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with 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 of a particular function or segment. Revenues not included among program revenues are reported as general revenues.

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

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

Fees, licenses, and associated interest earned within the reporting period are recognized as revenues of the reporting period. All other revenues are considered to be measurable and available only when cash is received by the District.

The District reports the following governmental funds:

The General Fund is the main operating fund of the District. This fund accounts for all financial resources except those accounted for in the special revenue fund.

The Public Health Emergency Preparedness and Response Special Revenue Fund accounts for activity relating to the District's role as the lead agency for the emergency preparedness and response activities in Washington State's Public Health Emergency Planning Region 1 – North, including the counties of Snohomish, Skagit, Whatcom, San Juan, and Island was combined into the General Fund in 2020 as these activities are part of normal operations.

The District's Fiduciary Fund are funds held in trust that are related to payroll withholding for the District's flexible benefit plan.

D. Budgetary Information

(1) Scope of Budget

Annual budgets are adopted for all funds on the accrual basis of accounting.

The District's budget is adopted at the fund level and expenditures may not exceed appropriations at that level of detail.

Appropriations for general and special revenue funds lapse at year end.

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

(2) Amending the Budget

The District's Administrative Officer is authorized to transfer budgeted amounts among object classes within programs; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions by more than 20% or 1 FTE whichever is greater, salary ranges, hours, or other conditions of employment must be approved by the Board of Health.

When the Board of Health determines that it is in the best interest of the District to increase or decrease the appropriation for a particular fund, it may do so by resolution approved by one more than the majority, after holding public hearings.

The budget amounts shown in the financial statements are the final authorized amounts. The original 2020 budget was approved by Resolution 19-28 on December 10, 2019 and was amended by Resolution 20-23 on October 13, 2020.

E. Assets, Liabilities and Equities

(1) Cash and Cash Equivalents

At December 31, 2020, the District held \$1,107,556 in cash and cash equivalents, as reported on the Statement of Net Position and Balance Sheet. Cash equivalents are defined as residual cash and imprest funds that are not invested.

All cash and cash equivalents are recorded at market value.

It is the District's practice to invest its temporary cash surpluses.

(2) Investments

At December 31, 2020, the Snohomish County Treasurer held \$7,428,990 in short-term investments. This amount is reported on Statement of Net Position and Balance Sheet as Investments. These investments are valued at amortized cost.

All investments are held by Snohomish County in the District's name.

(3) Receivables

Accounts receivable consists of amounts owed from other governments, private individuals, or organizations for goods and services provided by the District.

(4) Capital Assets

Capital assets include items such as land, buildings, infrastructure, vehicles, and equipment, and are reported in Statement of Net Position. The District reports an item as a capital asset when its initial, individual cost exceeds \$5,000, and it has an estimated useful life in excess of one year. Capital 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. Major outlays for capital assets are capitalized as projects are constructed. Costs for additions or improvements to existing capital assets are capitalized when they materially increase the value, capacity, or life of the asset.

The cost of each capital asset, less estimated salvage value, if applicable, is depreciated, or amortized, using the straight line method, over its estimated useful life.

<u>Capital Asset Category</u>	<u>Estimated Useful Life</u>
Building	5 - 50 years
Computer Software	3 years
Furniture & Equipment	7 – 20 years
Leasehold Improvements	7 - 20 years
Vehicles	6 years

For a summary of changes in Capital Assets, see Note 5.

(5) Compensated Absences

Eligible employees may accumulate 12 to 30 days of vacation leave each year, depending upon the employee's length of service. Typically, they may not accumulate more than 320 hours of vacation. However, an exception to this rule may be permitted where an employee has deferred leave usage at the request of the District. In the March 18, 2020 Board of Health meeting, the Board authorized the Administrative Officer to temporarily lift the cap of 320 hours for employees who were unable to take vacation due to Covid19 pandemic response activities. Those vacation hours over 320 must be used within one year.

All outstanding vacation leave is payable upon resignation, retirement, or death of the employee. The liability for vacation leave at December 31, 2020 is \$830,137, above the December 31, 2019 balance of \$654,969.

Sick leave accumulates at the rate of 1 day per month for regular employees. Temporary employees hired for Covid19 pandemic response accrue 1 hour per 40 hours worked under the Washington State sick leave law. A percentage of sick leave may be payable upon resignation, retirement or death of the employee. The amount of accrued sick leave and percentage payable are dependent on the following factors:

- Employees may accrue no more than 1,000 hours of sick leave unless they were hired prior to January 1, 2015.
- Employees who have accumulated sick leave in excess of 600 hours may elect to convert sick leave earned in the prior 12 months into cash, additional annual leave, or a HSA. Percentage paid is based on their service credit at the time of the request.
- Upon employee death, 100% of the employee's sick leave hours will be paid out to the heir(s) of the employee for Protech17 and AFSCME members. For non-represented and WSNA, 100% of the employee's sick leave hours will be paid up to 1,000 hours.
- For non-represented employees having been employed for at least 7 years, the accrued and unused sick leave will be paid into a HRA VEBA account upon separation from employment. If a VEBA contribution triggers a tax liability under the Affordable Care Act, employees will receive a cash payment in their final paycheck instead. Employees with less than 7 years of service will receive no payment.

- Upon retirement of represented employees employed with the District for at least 7 years, the accrued and unused sick leave will be paid into a HRA VEBA account based on the union agreement in effect at the time. If a VEBA contribution triggers a tax liability under the Affordable Care Act, employees will receive a cash payment in their final paycheck instead. Employees with less than 7 years of service will receive no payment.
- For Temporary employees, the accrual under the Washington sick leave law has no payout value but would be reinstated if the employee terminated and was re-hired within 12 months of termination.

The liability for vested sick leave at December 31, 2020 is \$379,996.

Eligible non-exempt employees may accrue compensatory time in lieu of overtime pay.

Due to the 2020 Covid19 pandemic response, in the March 18, 2020 meeting the Board authorized the Administrative Officer to allow salaried exempt staff, who normally wouldn't accrue compensatory time, to accrue one hour of compensatory time for every hour worked in a work week over 40 for the duration of the pandemic response. Compensatory time for salaried exempt staff has no payout value and was to be used by the December 31, 2020. At the November 10, 2020 meeting, the Board extended the deadline to December 31, 2021.

The liability for compensatory time at December 31, 2020 is \$207,529 which is significantly higher than the balance of \$11,615 at December 31, 2019 as a result of Covid19 pandemic response.

Lump-sum payments are made to eligible non-exempt employees when they separate from employment with the District. The Department of Retirement's statistical analysis of expected separations are applied to the District's employee demographics to estimate the portion of the liability that is payable within one year.

(6) Other Accrued Liabilities

These amounts consist of items such as use taxes payable and vital statistics fees to the State of Washington, and employee benefits payable as of year-end.

(7) Fund Balance Classifications

The government-wide financial statements present fund balance as net position, which is reported in the three components, as applicable:

- a) Invested in capital assets, net of related debt. This amount consists of capital assets, net of accumulated depreciation, and reduced by the

outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b) Restricted. This amount consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, and contributors; or (2) legal restrictions resulting from constitutional provisions or enabling legislation.
- c) Unrestricted. This amount consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The governmental funds' financial statements present fund balance displayed in the following components, as applicable:

- a) Non-spendable fund balance. This amount consists of assets that are not in spendable form, such as inventory and prepayments. As of December 31, 2020, the District had non-spendable funds of \$385,772 which consists solely of prepayments.
- b) Committed fund balance. Fund balance is reported as Committed when the Board of Health (the government's highest level of decision-making authority) adopts an ordinance that places specific constraints on how the resources may be used. Once adopted, the commitment remains until it is modified or rescinded by the adoption of a new ordinance by the Board.
- c) Assigned fund balance. This amount consists of that portion of fund balance that has been set aside for a special purpose. Balances in special revenue funds are considered assigned for the purposes of that fund.
- d) Restricted fund balance. Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. As of December 31, 2020, the District has \$1,974,651 of restricted funds for program surpluses and unspent grant revenue collected in advance:

Reserve for Rucker Bldg-2015 Water Damage	134,822
Reserve for Arlington CARES	30,000
Reserve for HHS Stimulus Covid	2,083
Reserve for NSACH	263,556
Reserve for TB	561,483
Reserve for SWG Facilities	297,802
Reserve for SWG Enforcement	148,876
Reserve for OSS Monitor & Maint	61,955
Reserve for Food Program	327,629
Reserve for Water Sports	102,281
Medical Reserve Corps Grant	44,164
	1,974,651

- e) Unassigned fund balance. This amount is the remainder of fund balance that is not classified as non-spendable, committed, assigned or restricted. The Snohomish Health District Board of Health has, by resolution, set aside \$5,024,113 of the general fund balance comprised of:

- \$3,345,113 45 days of the expenditure budget for working capital
- \$1,109,000 compensated absences
- \$70,000 budgeted capital improvements
- \$500,000 emergency fund

At December 31, 2020, these amounts are included in the unassigned fund balance of \$9,433,481.

8) Pensions

For purposes of measuring the net pension liability or asset, 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) Other Post Employment Benefits (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's Retiree Health 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 the reconciliation between Total Governmental Fund Balances, on the Balance Sheet, and Total Net Position, on the Statement of Net position.

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

The governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between Net changes in fund balance of total governmental funds, and Change in Net Position reported in the Statement of Activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 4 – DEPOSITS & INVESTMENTS

A. Deposits

Cash on hand at December 31, 2020 was \$1,107,556. Of this amount, \$279,872 is held in cash with the Snohomish County Treasurer, \$824,084 is held in the District's name at an FDIC insured commercial bank and the balance of \$3,600 was held securely onsite as petty cash and cash in transit to the bank.

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 Snohomish 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).

B. Investments

All temporary investments are stated at cost and classified as cash and equivalents in the financial statements. As of December 31, 2020, Snohomish County held in the District's name, \$4,904,029 in the State investment pool and \$2,500,000 plus unrealized gains of \$24,961 in the County investment pool.

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

Investments in Snohomish County Investment Pool (SCIP)

The Snohomish County Investment Pool (SCIP), is not registered with the SEC. There are no involuntary participants in the SCIP. All participants have notified the Treasurer of their desire to participate in the SCIP. Oversight is provided by the Snohomish County Finance Committee pursuant to RCW 36.29.020. The County Finance Committee consists of the County Treasurer, County Executive and Chairman of the County Council. The County Finance Committee approves Investment Policies for investments. The Investment policy has been certified by the Washington Public Treasurers Association and is in compliance with state law. Pool participants manage their own cash and direct the County Treasurer by written request to deposit or withdraw monies from their funds for investment purposes. The collective pool earnings, net of administrative fees, are distributed to participants based on their average pooled balances for the period. Earnings are calculated based on 1) realized investment gains and losses 2) interest income based on an accrual basis; and 3) amortization of discounts and premiums on a straight line basis. The participants' shares in the pool are purchased and redeemed at face value. The aggregate value of all participants'

investments equal the total face value of the pool at all times. The SCIP does not have any legally binding guarantees of share values.

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. Since 100% of the District's investments are with Snohomish County, the County's policy is shown below.

As of December 31, 2020, the County Pool's average duration was 2.11 years. Interest rate risk is the risk the County may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the County manages its exposure to investments that are highly sensitive to changes in fair value due to interest rate change by limiting the weighted average maturity of its investments. In accordance with the policy, 20% of the County's portfolio must be comprised of investments maturing within one year. Satisfying this requirement, remaining funds may be invested in authorized securities not to exceed five years in maturity. The weighted average maturity and duration of the portfolio shall not exceed three years.

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 however the Snohomish County's policy addresses credit risk by limiting the amount that can be invested in any one issuer..

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.

Investments in Local Government Investment Pool (LGIP)

The District is a participant in the Local Government Investment Pool which is managed and operated by the Washington State Treasurer and held in the District's name by the Snohomish County Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets appears below:

	Beginning Balance 1/1/2020	Additions & Transfers	Deletions	Ending Balance 12/31/2020
Capital Assets				
Land	\$ 600,000			\$ 600,000
Buildings	7,485,558	30,206	(109,996)	7,405,768
Improvements	738,573		(656,245)	82,328
Computer Software	32,301			32,301
Equipment	898,456	152,344	(275,321)	775,479
Furniture	558,110		(49,460)	508,650
Vehicles	675,691			675,691
Capitalized Work In Process	-			-
Total Capital Assets	\$10,988,689	\$ 182,549	\$ (1,091,021)	\$10,080,217
Less Accumulated Depreciation				
Buildings	\$ (5,148,623)	\$ (159,142)	82,048	\$ (5,225,718)
Improvements	(567,078)	(21,806)	547,721	(41,163)
Computer Software	(26,918)	(5,384)		(32,302)
Equipment	(805,709)	(39,900)	275,321	(570,288)
Furniture	(517,449)	(9,088)	49,460	(477,077)
Vehicles	(618,888)	(25,191)		(644,079)
Total Accumulated Depreciation	\$ (7,684,665)	\$ (260,510)	\$ 954,549	\$ (6,990,627)
Capital Assets, Net	\$ 3,304,024	\$ (77,961)	\$ (136,473)	\$ 3,089,590

Depreciation totaled \$260,510 for the year ended December 31, 2020, and is expensed to functions and programs of the primary government as Public Health.

The District disposed of a number of assets that were either replaced in prior years or not in use including a fully depreciated phone system, security system and mail machine and bathroom grouting and sealing that should have been expensed as repairs and maintenance in the year of purchase. In 2020, the District replaced a wheel chair lift purchased in 2006 with a net book value \$27,948.

Note 6 – Pension Plans

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(3,133,051)
Pension assets	\$0
Deferred outflows of resources	\$912,613
Deferred inflows of resources	\$(1,343,890)
Pension expense/expenditures	\$(406,593)

State Sponsored Pension Plans

Substantially all of the 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 98540-8380

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	Employer	Employee*
Rates			
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%

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 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%	7.41%
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%

The District's actual PERS plan contributions were \$428,026 to PERS Plan 1 and \$702,761 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 Actuaries, to project 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 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 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.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$2,681,933	\$2,141,167	\$1,669,563
PERS 2/3	\$6,171,770	\$991,884	\$(3,273,754)

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 reported a total pension liability of \$3,133,051 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,141,167
PERS 2/3	\$991,884

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	0.072843%	0.060647%	-0.012196%
PERS 2/3	0.088527%	0.077555%	-0.010972%

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 PERS 1 and PERS 2/3 plans.

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 recognized pension expense as follows:

	Pension Expense
PERS 1	\$(397,124)
PERS 2/3	\$(9,469)
TOTAL	\$(406,593)

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 Plan 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	\$(11,921)
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	\$205,949	\$0
TOTAL	\$205,949	\$(11,921)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$355,080	\$(124,307)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(50,373)
Changes of assumptions	\$14,127	\$(677,543)
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$(479,746)
Contributions subsequent to the measurement date	\$337,456	\$0
TOTAL	\$706,664	\$(1,331,969)

Combined Total for All Plans PERS Plan 1/2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$355,080	\$(124,307)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(62,295)
Changes of assumptions	\$14,127	\$(677,543)
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$(479,746)
Contributions subsequent to the measurement date	\$543,405	\$0
TOTAL	\$912,613	\$(1,343,890)

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
2021	\$(54,099)
2022	\$(1,702)
2023	\$16,507
2024	\$27,372
2025	\$0
Thereafter	\$0

Year ended December 31:	PERS 2/3
2021	\$(502,314)
2022	\$(189,122)
2023	\$(73,113)
2024	\$5,732
2025	\$(107,336)
Thereafter	\$(96,608)

NOTE 7 - OTHER POST- EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Snohomish Health District single-employer defined-benefit plan offers retiree health benefits to its employees through the Health Care Authority's PEBB program. The Health Care Authority authorizes the benefits. For medical insurance coverage, PEBB covers both employees and non-Medicare eligible retirees in one pool, and retirees enrolled in

Medicare Parts A and B. PEBB plan benefits provide two different subsidies for retirees: an explicit subsidy and an implicit subsidy. In addition, there is cost-sharing between employers and employees. The District pays a portion of the premium for active employees. Retirees are responsible for paying the full premium for participating in the program, which are reduced through the subsidies.

The explicit subsidy, permitted under RCW 41.05.085, is a straightforward, set dollar amount for a specific group of people. The explicit subsidy lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. Annually, PEBB recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. The explicit subsidy is the lesser of 50 percent of the monthly premium and \$168 (in 2019). The \$168 will increase to \$183 in 2020.

Benefits Provided

Participants are eligible for benefits on retirement. Benefits are in the form of access to the PEBB medical plans, as well as a cash subsidy for members over the age of 65 enrolled in Medicare Parts A and B.

Employees Covered by Benefit Terms

At December 31, 2019 (the census date), the benefit terms covered the following employees:

<u>Category</u>	<u>Count</u>
Inactive employees, spouses, or beneficiaries currently receiving benefit payments:	79
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	123
Total	202

Contributions

The District pays benefits as they come due.

Contribution rate:	Benefits Due
Reporting period contributions:	\$183,881 (Includes implicit subsidy credit.)

Financial Report

The District does not issue a stand-alone financial report that is available to the public.

Total OPEB Liability

The District's total OPEB liability was valued as of December 31, 2019, and was used to calculate the total OPEB liability measured as of December 31, 2020.

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2019	December 31, 2020
Discount Rate	2.75%	2.00%
Inflation	2.75%	2.75%
Healthcare Cost Trend Rates		
Pre-Medicare	6.30%	6.00% *
Medicare	12.10%	11.70% *
Salary Increases	3.50%	3.50% **

Mortality Rates Based on SOA Tables.

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the Office of the State Actuary, and are based on a review of past experience and expectations for the future during a 2017 experience study.
- Inactive employees (retirees) pay the difference in premium between the full cost of benefits and the lesser of 50% of the premium or \$168 (in 2019).
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

Discount Rate

The discount rate used to measure the total OPEB liability is 2.00%. The 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.

**Trending down to 4.40% over 54 years. Applies to calendar years.*

***Additional merit-based increases based on the State's merit salary increase tables*

Changes in the Total OPEB Liability

	<i>Increase/Decrease</i>
	Total OPEB Liability
Balance as of Report Date December 31, 2019	\$ 8,175,709
Changes for the year:	
Service Cost	359,491
Interest	232,189
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	1,245,983
Explicit Subsidy Credit	(138,313)
Implicit Subsidy Credit	(45,568)
Other Miscellaneous Income/(Expense)	-
Net Changes	1,653,782
Balance as of Report Date December 31, 2020	\$ 9,829,491

Sensitivity of the Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) follows:

	1% Decrease	Discount Rate	1% Increase
	1.00%	2.00%	3.00%
Total OPEB Liability (Asset)	\$ 11,900,999	\$ 9,829,491	\$ 8,216,383
Increase (Decrease)	2,071,508		(1,613,108)
% Change	21.1%		-16.4%

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend for this valuation started at 6.00% and decreased to 4.40% over 54 years. The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00%) or one percentage point higher (7.00%) than current healthcare cost trend rates follows:

	1% Decrease	Trend Rate	1% Increase
	5.00%	6.00%	7.00%
Total OPEB Liability (Asset)	\$ 7,999,531	\$ 9,829,491	\$ 12,269,505
Increase (Decrease)	(1,829,960)		2,440,014
% Change	-18.6%		24.8%

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

For the report year ended December 31, 2020, the District recognized an OPEB expense of \$784,978. 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	\$ 433,858	\$ -
Changes of Assumptions	1,070,492	(343,042)
Contributions Subsequent to the Measurement Date	-	-
Total	\$ 1,504,350	\$ (343,042)

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
2021 \$	193,298
2022	193,298
2023	193,298
2024	193,298
2025	193,298
Remaining	194,818

Current Liability	Amount
Current OPEB Liability \$	190,237
Non-Current OPEB Liability	9,639,254
Total OPEB Liability \$	9,829,491

Expected Average Remaining Service Lives (EARSL)

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The expected average remaining service lives (EARSL) for the current period follows.

EARLS: 7.1 years

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

The District's Long Term Debt consists of the Pension Liability (see Note 6), the Net OPEB Obligation (see Note 7), and the long-term portion of Compensated Absences (see Note 1E(5)), as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pension Liability	\$ 3,660,971		\$ (527,919)	\$ 3,133,051	\$ -
Total OPEB Obligation	8,175,709	1,463,545		9,639,254	190,237
Compensated Absences	1,109,313		(30,859)	1,078,454	339,207
Total Long Term Liabilities	\$12,945,993	\$1,463,545	\$ (558,778)	\$13,850,759	\$529,444

NOTE 9 - DEFERRED COMPENSATION PLAN

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457 – one through Nationwide Investment Services Corporation and the other through the State of Washington Deferred Compensation Program. The plans are available to all eligible District employees, permitting them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust until paid or made available to the employee or other beneficiary. Except as otherwise permitted or required by law, no assets or income of the plans shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of administration of the plan.

NOTE 10 - RISK MANAGEMENT

Snohomish 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. The Pool 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 the Pool 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 \$10,000 of the amount of each claim, while Enduris is responsible for the remaining \$990,000 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 \$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 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 the Pool 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 the limits in the last 3 years.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Board of Health is comprised of 15 members total, with three representatives from each of the five County Council Districts in Snohomish County: one Snohomish County councilmember, one city councilmember from the city with the largest population in each District, and one city councilmember representative chosen by the other cities within each District. These members, as they serve on the Board of Health, have budgetary authority and significant influence in the management of the District as well as budgetary authority in their respective jurisdictions.

Snohomish County for Communicable Disease Control*	\$1,600,000
Snohomish County Public Health Per Capita Allotment	751,618
Cities Public Health Per Capita Allotment	386,925
Total Funding	<u>\$2,388,892</u>

*For 2020, \$531,483 of the annual funding was collected but unspent at year-end and was reclassified to Revenue Collected In Advance to be used in 2021. This surplus was directly related to the reallocation of resources to the Covid19 pandemic response.

NOTE 12 – SUBSEQUENT EVENTS

Coronavirus

On January 20, 2020, the first Coronavirus U.S. case was identified in Snohomish County.

Governor Jay Inslee on March 23 announced the “Stay Home, Stay Healthy” order, extending the order on April 2. After the order's expiration on May 31 at midnight, the state transitioned to the Safe Start Plan, a phased approach to reopening businesses and activities. More information on the Safe Start Plan and phases is available at: <https://coronavirus.wa.gov/what-you-need-know/safe-start>.

Dr. Chris Spitters, health officer for the Snohomish Health District, also issued an order on March 17, 2020 and extended on March 31, that remains in effect as of the preparation date of this report which outlines the steps all businesses and organizations must take when operating:

- Older adults or people with underlying conditions are encouraged to remain at home
- Social distancing recommendations are in place. People should avoid being within 6 feet of each other for longer than momentary or minimal contact.
- Employees are screened for coronavirus symptoms each day and excluded if symptomatic
- Proper hand hygiene and sanitation must be readily available to all attendees and employees
- Environmental cleaning guidelines from the U.S. Centers for Disease Control and Prevention are followed, including more cleaning and disinfecting of hightouch surfaces at least daily

The Health Officer also issued a quarantine directive and isolation order on March 31, 2020. This order requires:

- Quarantine Directive: This states that everyone with COVID-19 symptoms with a test result pending shall remain in quarantine while waiting for the test results

- Isolation Order: This requires everyone who has tested positive for COVID-19 to remain in isolation, away from others in their home as much as feasible, until no longer infectious

Additional details of these and subsequent orders can be found at <https://www.snohd.org/538/STATE-LOCAL-Guidance>.

Major milestones:

3/1/2020	Testing site operations began
3/1/2020	Unified command with Snohomish County Department of Emergency Management began
3/1/2020	Isolation & quarantine site opened in partnership with Snohomish County
7/1/2020	Began weekly/bi-weekly meetings with all school districts
12/1/2020	First vaccines arrived in SnoCo
1/1/2021	First mass vaccination sites opened

A more detailed timeline of the first year of pandemic response activities can be found at <https://www.snohd.org/569/COVID-19-Twelve-month-timeline>

In 2020, the District received approximately \$8.6 million dollars in funding for pandemic response from Federal CARES, State COVID-19 Response and local community groups. Expenditures for pandemic response in 2020 totalled approximately \$8.3 million dollars.

For 2021, through March 31, 2021, the District has billed \$2.8 million dollars of COVID-19 response Federal grant revenue and expended approximately \$3.4 million dollars. As of the report date, a budget amendment is pending for all known COVID-19 response activities.

REQUIRED SUPPLEMENTARY INFORMATION

Pension Benefits - See also Note 6

Snohomish 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)	% 0.060647%	0.072843%	0.076987%	0.078255%	0.080684%	0.087758%
Employer's proportionate share of the net pension liability	\$ 2,141,167	2,801,072	3,438,266	3,713,261	4,333,111	4,590,560
TOTAL	\$					
Covered payroll**	\$ 9,101,760	9,866,502	9,985,672	9,638,572	9,388,630	9,744,402
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 23.52%	28.39%	34.43%	38.53%	46.15%	47.11%
Plan fiduciary net position as a percentage of the total pension liability	% 68.64%	67.12%	95.77%	90.97%	85.82%	89.20%
Notes to Schedule:						
*Until a full 10-year trend is compiled, only information for those years available is presented.						
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)						

Schedule of Proportionate Share of the Net Pension Liability						
PERS 2/3						
As of June 30, 2020						
Last 10 Fiscal Years*						
	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	% 0.077555%	0.088527%	0.094566%	0.096517%	0.098292%	0.106990%
Employer's proportionate share of the net pension liability	\$ 991,884	859,898	1,614,630	3,353,504	4,948,925	3,822,814
TOTAL	\$					
Covered payroll**	\$ 9,039,818	9,624,379	9,806,209	9,462,585	9,181,910	9,493,707
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 10.97%	8.93%	16.47%	35.44%	53.90%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	% 97.22%	97.77%	95.77%	90.97%	85.82%	89.20%
Notes to Schedule:						
*Until a full 10-year trend is compiled, only information for those years available is presented.						
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)						

Pension Benefits (Continued) - See also Note 6

Snohomish Health District						
Schedule of Employer Contributions						
PERS 1						
For the year ended December 31, 2020						
Last 10 Fiscal Years*						
	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions \$	428,026	480,322	521,053	488,711	463,314	431,398
Contributions in relation to the statutorily or contractually required contributions*** \$	(428,026)	(480,322)	(521,053)	(488,711)	(463,314)	(431,398)
Contribution deficiency (excess) \$	0	0	0	0	0	0
Covered payroll** \$	8,893,154	9,408,189	10,025,760	9,723,726	9,485,224	9,541,611
Contributions as a percentage of covered payroll %	4.81%	5.11%	5.20%	5.03%	4.88%	4.52%
Notes to Schedule:						
*Until a full 10-year trend is compiled, only information for those years available is presented.						
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)						
*** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)						

Snohomish Health District						
Schedule of Employer Contributions						
PERS 2/3						
For the year ended December 31, 2020						
Last 10 Fiscal Years*						
	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions \$	702,761	711,203	738,202	655,080	580,061	522,623
Contributions in relation to the statutorily or contractually required contributions*** \$	(702,761)	(711,203)	(738,202)	(655,080)	(580,061)	(522,623)
Contribution deficiency (excess) \$	0	0	0	0	0	0
Covered payroll** \$	8,873,234	9,222,284	9,844,392	9,545,874	9,310,790	9,298,699
Contributions as a percentage of covered payroll %	7.92%	7.71%	7.50%	6.86%	6.23%	5.62%
Notes to Schedule:						
*Until a full 10-year trend is compiled, only information for those years available is presented.						
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)						
*** Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par. 8)						

Other Post-Employment Benefits (OPEB) - See also Note 7

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
December 31, 2020

	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 318,739	\$ 330,692	\$ 342,266	\$ 359,451
Interest on total OPEB liability	226,058	229,874	255,375	232,189
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	-	604,000	
Changes in assumptions	-	-	(477,570)	1,245,983
Explicit and implicit subsidies	(108,285)	(108,968)	(127,491)	(183,881)
Net change in total OPEB liability	436,512	451,598	596,580	1,653,742
Total OPEB liability - beginning	<u>6,691,019</u>	<u>7,127,531</u>	<u>7,579,129</u>	<u>8,175,709</u>
Total OPEB liability - ending	\$ 7,127,531	\$ 7,579,129	\$ 8,175,709	\$ 9,829,451
 Covered payroll	 \$ 9,723,726	 \$ 10,099,670	 \$ 9,156,347	 \$ 9,476,819
Total OPEB liability as a percentage of covered payroll	73%	75%	89%	104%

This schedule is intended to show information for 10 years. Since fiscal year 2017 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

GASB 75 was implemented for the fiscal year ended December 31, 2017. No information prior to December 31, 2017 is available. The actuarial study is performed annually. The actuarial method used in the Schedule of Funding Progress of Other Post-Employment Benefits is disclosed in Notes to the Financial Statements Note 7.

Snohomish 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			Passed through to Subrecipients	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	CLH18261	501,372	-	501,372	-	Note 3
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State University)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	132429- G003812	1,087	-	1,087	-	Note 3
Total SNAP Cluster:				1,087	-	1,087	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Snohomish County)	COVID 19 - Coronavirus Relief Fund	21.019	COVID-19 CRF -SHD	5,648,232	-	5,648,232	-	Note 3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	COVID 19 - Public Health Emergency Preparedness	93.069	CLH18261	349,471	-	349,471	-	Note 3
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	CLH18261	103,101	-	103,101	-	Note 3

The accompanying notes are an integral part of this schedule.

**Snohomish Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, 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	CLH18261	187,761	-	187,761	-	Note 3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	COVID 19 - Immunization Cooperative Agreements	93.268	CLH18261	146,312	-	146,312	-	Note 3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Viral Hepatitis Prevention and Control	93.270	CLH18261	46,897	-	46,897	-	Note 3
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	CLH18261	3,723	-	3,723	-	Note 3
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	CLH18261	535,584	-	535,584	-	Note 3

The accompanying notes are an integral part of this schedule.

Snohomish Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	CLH18261	26,045	-	26,045	Note 3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health)	National and State Tobacco Control Program	93.387	CLH18261	30,204	-	30,204	Note 3
Medicaid Cluster							
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health and Human Services)	Medical Assistance Program	93.778	K2297	167,073	-	167,073	Note 3
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Health and Human Services)	Medical Assistance Program	93.778	K3079	129,838	-	129,838	Note 3
Total Medicaid Cluster:				296,911	-	296,911	-

The accompanying notes are an integral part of this schedule.

**Snohomish 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			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)	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	CLH18261	20,986	-	20,986	-	Note 3
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	G25RHH33000	-	137,150	137,150	-	Note 3
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	CLH18261	110,662	-	110,662	-	Note 3
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	CLH18261	69,120	-	69,120	-	Note 3
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	CLH18261	449,332	-	449,332	-	Note 3
Total Federal Awards Expended:				8,526,800	137,150	8,663,950	8,826	

The accompanying notes are an integral part of this schedule.

SNOHOMISH HEALTH DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

January 1, 2020 through 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 GAAP basis of accounting.

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 – Federal Indirect Cost Rate

The amount expended includes \$623,594 claimed as an indirect cost recovery using an approved indirect cost rate of 45.7 percent.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the 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.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Snohomish Health District January 1, 2020 through December 31, 2020

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: 2020-001	Finding caption: The District lacked adequate internal controls for ensuring accurate financial reporting on the Schedule of Expenditures of Federal Awards.
Name, address, and telephone of District contact person: Sara Centanni 3020 Rucker Avenue, Suite 308 Everett, WA 98201 425-339-3535	
Corrective action the auditee plans to take in response to the finding: <i>The District would like thank the auditors for their comments and guidance. This finding was the result of a need for enhanced training for District staff regarding SEFA reporting. The grantor-prepared grant coversheet stated that the District was a vendor and not a subcontractor. However, after further review of the signed agreement, it was noted that the coversheet prepared by the grantor was incorrect, and the District was actually a subrecipient, requiring reporting on the SEFA. Despite the SEFA being submitted incorrectly, the funds were properly accounted for once identified, and the SEFA was promptly corrected to include the grant. Measures are now in place to ensure that staff rely on the executed documents for award information, and not the grantor-prepared supplementary documentation.</i>	
Anticipated date to complete the corrective action: Completed when identified during audit	

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov