



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Kitsap Public Health District

For the period January 1, 2021 through December 31, 2021

Published September 29, 2022

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

September 29, 2022

Board of Health
Kitsap Public Health District
Bremerton, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kitsap Public Health District January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Kitsap Public 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 District’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.268	COVID-19 – Immunization Cooperative Agreements
93.268	Immunization Cooperative Agreements
93.323	COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2021-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Kitsap Public Health District January 1, 2021 through December 31, 2021

2021-001 The District improperly charged payroll expenditures that did not comply with federal cost principles.

CFDA Number and Title:	93.268 COVID-19 – Immunization Cooperative Agreements 93.323 COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Federal Grantor Name:	U.S. Department of Health and Human Services
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Health
Pass-through Award/Contract Number:	CLH18248
Questioned Cost Amount:	93.268 – \$30,897 93.323 – \$113,607

Background

The purpose of the Immunization Cooperative Agreements (ICA) program is to reduce and ultimately eliminate vaccine-preventable diseases by increasing and maintaining high immunization coverage. During fiscal year 2021, the District spent \$1,031,914 of its ICA funds as part of its COVID-19 response program.

The purpose of the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program is to protect the public’s health and safety by enhancing the capacity of public health agencies to effectively detect, respond, prevent and control known and emerging (or reemerging) infectious diseases. During fiscal year 2021, the District spent \$2,661,987 in ELC funds as part of its COVID-19 response program.

The District used both of these awards to assist with COVID-19 public health emergency preparedness and response activities. It spent a combined total of

\$2,785,423 on direct personnel costs and \$744,546 in related indirect costs during fiscal year 2021.

The District prepares an annual indirect cost proposal that the Washington State Department of Health approves. The District bases the proposal on a pool of budgeted direct personnel costs and modified direct non-personnel costs for each division in the Health District. Personnel costs included in the indirect cost pool are based on key positions within the District, the staff members filling those positions at the time of the proposal, and the portion of their time allocated for tasks included in the rate.

Description of Condition

The District's internal controls were adequate for ensuring it materially complied with these programs' allowable activities and allowable costs requirements. However, our audit found the District included the payroll costs for two employees in the indirect cost rate and also directly charged a portion of these payroll costs to the programs.

Additionally, staff entered one employee's hours into the incorrect line in the spreadsheet used to calculate costs charged to the program. This resulted in the time being charged at a higher pay rate than the employee's actual pay rate.

These issues were not reported as a finding in the prior audit.

Cause of Condition

Historically, the roles for employees included in the indirect cost rate were relatively stable and did not require additional monitoring. However, in response to the COVID-19 pandemic, the District deployed a preparedness and response program that required employees to often work on projects that were unplanned and outside of their normal duties. Additionally, employees regularly filled in for each other while someone temporarily worked in a different role. The District did not update its process to evaluate the effect of these changes, and did not establish a method of determining whether employees included as part of the indirect cost rate charged a reasonable amount of direct costs to the programs.

Additionally, when transferring data from the payroll system to their tracking spreadsheet, District employees made a clerical error for one employee. They input the employee's hours worked on the program into another employee's payroll line. This resulted in an error in the pay rate and caused the District to overcharge the program for these payroll costs.

Effect of Condition and Questioned Costs

We found 11 District employees included in the indirect cost pool also charged direct time to federal programs. For two of these employees, the combination of direct time charges and time included in the indirect costs charged to the program exceeded 100 percent of the employees' total payroll costs for the year. We are questioning all costs exceeding 100 percent of their payroll for the year because the District is unable to demonstrate that the costs were reasonable and that it did not charge the employees' time as both direct and indirect costs. We are questioning \$30,897 in costs charged to the ICA program and \$113,607 in costs charged to the ELC program, including related indirect costs.

We used a statistical sample to select and test 15 employees charged to the program. We found that staff manually entered one employee's hours for one month into the incorrect line in the supporting spreadsheet, which had a higher rate of pay than the employee's actual pay rate. The error resulted in \$2,344 in unallowable payments charged to the ELC program. Based on the projection of our statistical sample, we identified an additional \$15,313 in estimated overpayments.

The District may jeopardize its eligibility for future federal assistance if it is unable to demonstrate payroll charges comply with federal requirements.

Recommendation

We recommend the District:

- Establish and maintain adequate internal controls to ensure employees included in the indirect cost rate are not also directly charging the same payroll costs to federal awards
- Establish and maintain adequate internal controls to ensure direct charges to the grant are accurately calculated

District's Response

The District would like to thank the State Auditor's Office for their guidance. The District is in process to submit revised invoices to the State for the unallowable costs. In addition, the District will update the Cost Allocation and Timekeeping policy to include the review of indirect and direct costs allocated to each funding source.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action 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), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 403, Factors affecting allowability of costs, describes the cost principles for how direct and indirect costs should be charged to federal programs

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

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*

Kitsap Public Health District January 1, 2021 through December 31, 2021

Board of Health
Kitsap Public Health District
Bremerton, 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 Kitsap Public Health District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 26, 2022.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

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

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

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Pat McCarthy, State Auditor

Olympia, WA

September 26, 2022

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

Kitsap Public Health District January 1, 2021 through December 31, 2021

Board of Health
Kitsap Public Health District
Bremerton, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Kitsap Public Health District, with the types of compliance requirements identified as subject to audit 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, 2021. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on

compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 26, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Kitsap Public Health District January 1, 2021 through December 31, 2021

Board of Health
Kitsap Public Health District
Bremerton, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Kitsap Public Health District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Kitsap Public Health District, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Kitsap Public Health District, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The 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). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's 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.

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Pat McCarthy, State Auditor

Olympia, WA

September 26, 2022

**Kitsap Public Health District
January 1, 2021 through December 31, 2021**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to the Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

**Kitsap Public Health District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021**

		<u>001 General</u>
Beginning Cash and Investments		
308	Beginning Cash and Investments	4,242,835
388 / 588	Net Adjustments	-
Revenues		
310	Taxes	-
320	Licenses and Permits	1,470,266
330	Intergovernmental Revenues	11,771,448
340	Charges for Goods and Services	5,351,023
350	Fines and Penalties	-
360	Miscellaneous Revenues	33,938
Total Revenues:		<u>18,626,675</u>
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	15,597,655
570	Culture and Recreation	-
Total Expenditures:		<u>15,597,655</u>
Excess (Deficiency) Revenues over Expenditures:		3,029,020
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	617,100
Total Other Increases in Fund Resources:		<u>617,100</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	302,748
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	650,545
Total Other Decreases in Fund Resources:		<u>953,293</u>
Increase (Decrease) in Cash and Investments:		<u>2,692,827</u>
Ending Cash and Investments		
50821	Nonspendable	-
50831	Restricted	30,293
50841	Committed	3,387,943
50851	Assigned	-
50891	Unassigned	3,517,428
Total Ending Cash and Investments		<u>6,935,664</u>

The accompanying notes are an integral part of this statement.

KITSAP PUBLIC HEALTH DISTRICT

Notes to the Financial Statements for the year ended December 31, 2021

Note 1 – Summary of Significant Accounting Policies

The Kitsap Public Health District was incorporated on November 19, 1947 and operates under the laws of the state of Washington applicable to a local public health agency. The District is a special purpose local government and provides public health services to support its mission. The Health District’s mission is to prevent disease and protect and promote the health of all persons in Kitsap County. To accomplish this mission, the Health District, in partnership with the community, assesses community health needs, develops health policies, and programs, and assures that necessary health services are available. The Health District operates under various legal mandates for communicable diseases, vital statistics, sewage disposal, food service sanitation, public water supplies, swimming pool operations, solid waste management, general sanitation, schools, camps and parks, family planning and several other public health mandates.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

C. Cash and Investments

See Note 4 – Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Eligible employees earn 18 to 31 days per year of general leave depending upon the employee's length of service and FTE but may not exceed the maximum accrual of 360 hours of general leave as of December 31st of each year without approval of the Division Director. General leave is payable upon separation or retirement up to a maximum of 240 hours. The liability for general leave as of December 31, 2021 is \$664,585.

Non-exempt employees may opt to receive compensatory time at a rate of time and a half for time worked in excess of 40 hours in lieu of overtime pay. Part-time non-exempt employees working more than their regular workweek, but less than 40 hours per week, earn compensatory time on an hour-for-hour basis. The maximum compensatory time accrual is 40 hours; any additional overtime hours must be paid. The liability for compensatory time as of December 31, 2021 is \$1,834.

Exempt employees receive administrative time off on an hour-for-hour basis for hours worked in excess of their regular workweek, subject to approval. The maximum accrual of administrative time is 40 hours at any time, except during the emergency proclamation by the Governor for COVID-19, as provided by Board of Health Resolution 2020-02. Unused administrative time off is not paid upon separation or retirement.

Eligible full-time employees earn 6 days of extended leave per year and a prorated percentage thereof for part-time employees for use for qualifying absences such as extended illness. Unused extended leave is not paid upon separation or retirement.

F. Long-Term Debt

See Note 6 – Long-term Debt (Formerly Debt Service Requirements).

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Kitsap

Public Health Board. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

- \$30,000 restricted by the grant requirements of the Clear Water Kitsap grant (formerly Surface and Stormwater Management) with Kitsap County. These funds are reimbursable to Kitsap County should the grant be discontinued.
- \$293 is restricted for payment of Use Taxes payable to the Washington State Department of Revenue due in January 2022.
- \$2,983,853 committed by Board Policy for Operating Reserve.
- \$159,695 committed by Board Policy for General Leave Payout.
- \$50,000 committed by Board Policy for Insurance Deductibles and Co-Pays.
- \$94,395 committed by Board Policy for Unemployment Insurance Payments.
- \$100,000 committed by Board Policy for Tuberculosis Services.

Note 2 - Budget Compliance

The District adopts an annual appropriated budget for the General Fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

The annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget was as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$17,903,119	\$16,550,948	\$1,352,171
Total General Fund	\$17,903,119	\$16,550,948	\$1,352,171

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District’s legislative body.

Actual expenditures for 2021 were less than budgeted. The level of COVID work fluctuated throughout the year and staffing was pulled from other departments to cover the workload. Non-labor costs for the District were also less than budgeted due to cost-savings and deferral of expense to 2022.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The District’s Emergency Coordination Center (ECC) was activated on February 3, 2020 to coordinate planning and response activities. On March 4, 2020, the District elevated the response activities and

expanded the response team. The size of the response has expanded and contracted through the various phases of the response. The 2022 budget was approved in which the COVID Program was separated out from the Communicable Disease Program. It includes additional staffing for both contact tracing and vaccine administration. The District has funding to cover the bulk of these expenses for the 2022-2023 fiscal years.

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

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2021 are as follows:

Type of deposit or investment	District’s own deposits and investments	Deposits and investments held by the District as custodian for other local governments, individuals, or private organizations	Total
Bank deposits	\$ 1,309,065	\$	\$ 1,309,065
Kitsap County Investment Pool	5,626,599		5,626,599
Total	\$ 6,935,664	\$	\$ 6,935,664

It is the District’s policy to invest all temporary cash surpluses. The interest on these investments is maintained in the General Fund.

Investments in Kitsap County Investment Pool

The District is a voluntary participant in the Kitsap County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather; oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at fair value, which is the same as the value of the pool per share.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The District’s deposits 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).

All investments are insured, registered or held by the District or its agent in the government’s name.

Note 5 – Related Parties

Kitsap County Commissioners serve as members of the Board of Health and have significant influence in the management of the District. In 2021, the District provided the following funding to Kitsap County:

Department of Admin Services	\$302,748
Human Services	34,442
Information Services	13,813
Prosecuting Attorney's Office	<u>10,988</u>
Total	<u>\$361,991</u>

In 2021, Kitsap County provided the following funding to the District:

General Public Health	\$1,338,964
SW Tipping Fees	1,033,996
Clean Water Kitsap	899,544
Maternal Support Services	214,774
Septage Tipping Fees	182,436
Tuberculosis Control	140,205
NDGC Debt Payment	39,831
Kitsap Connect	36,648
Epidemiology	<u>15,702</u>
Total	<u>\$3,902,100</u>

Note 6 – Long-Term Debt (formerly Debt Service Requirements)

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District’s debt transactions for year ended December 31, 2021.

The District’s long-term debt consists solely of general obligation debt for a loan from Kitsap County per Real Estate Contract and Security Agreement # KC-304-04 to purchase 2 units in the condominium property of the Norm Dicks Government Center, \$1 million payable upon execution of the agreement, and the balance payable in monthly installments per Schedule, maturing July 2034.

The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Year	Principal	Interest	Total
2022	190,000	115,548	305,548
2023	195,000	107,952	302,952
2024	200,000	100,152	300,152
2025	210,000	92,148	302,148
2026	225,000	83,748	308,748
2027-2031	1,235,000	283,464	1,518,464
2032-2034	850,000	61,104	911,104
Total	\$3,105,000	\$844,116	\$3,949,116

Note 7 – OPEB Plans

The District is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

The District had 94 active plan members and 4 retired plan members as of December 31, 2021. As of December 31, 2021, the District’s total OPEB liability was \$3,375,165 as calculated using the alternative measurement method. The District contributed \$1,209,984 to the plan for the year ended December 31, 2021.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all District’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 1, PERS 2, and PERS 3.

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

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

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

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov

At June 30, 2021 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 386,771	0.051924%	\$ 634,114
PERS 2/3	\$ 632,093	0.066728%	(\$ 6,647,182)

Note 9 – Risk Management

Kitsap Public Health District is a member of the Enduris Washington (Pool). 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. For the Pool’s fiscal year ending August 31, 2021, there were 539 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris’ program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a “claims made” coverage form. All other coverage is provided on an “occurrence” coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool’s SIR up to the coverage maximum limit of liability. The tables below reflect the Pool’s SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Liability:				
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible
- (2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.
- (3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:				
Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense(EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾:				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0
Automobile Physical Damage ⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
Crime Blanket ⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position ⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber ⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement ⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

- (1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.
- (2) Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.
- (3) Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.
- (4) Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.

- (5) This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.
- (6) Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.
- (7) Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.
- (8) Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.
- (9) Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.
- (10) Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with the Pool who determines coverage and administers the claims.

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 overseeing the business affairs of Enduris and providing policy direction to the Pool's Executive Director.

**Kitsap Public Health District
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.83	KITSAP COUNTY REAL ESTATE CONTRACT KC-304-04	12/1/2034	3,285,000	-	180,000	3,105,000
263.83	CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS; CRAFT3 SEPTIC	6/30/2022	344,350	-	228,992	115,358
Total General Obligation Debt/Liabilities:			3,629,350	-	408,992	3,220,358
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	GENERAL LEAVE LIABILITY (1)		638,778	27,641	-	666,419
264.30	NET PENSION LIABILITY		2,303,087	-	1,668,973	634,114
264.40	OPEB LIABILITIES		3,960,905	-	585,740	3,375,165
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,902,770	27,641	2,254,713	4,675,698
Total Liabilities:			10,532,120	27,641	2,663,705	7,896,056

**Kitsap Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

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		
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	20210279/2158	3,600	-	3,600	-	15
			Total Child Nutrition Cluster:	3,600	-	3,600	-	
SNAP Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CLH18248	119,610	-	119,610	-	1235
			Total SNAP Cluster:	119,610	-	119,610	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington Department of Health)	Housing Opportunities for Persons with AIDS	14.241	CLH18248	42,319	-	42,319	-	15
			Total CFDA 14.241:	51,030	-	51,030	-	

The accompanying notes are an integral part of this schedule.

**Kitsap Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
				Total			
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington Department of Health)	COVID 19 - Coronavirus Relief Fund	21.019	CLH18248	732,196	-	666,974	1235
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Hood Canal Coordinating Council)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CBO24134/208 1	4,963	-	-	1235
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Health)	Beach Monitoring and Notification Program Implementation Grants	66.472	CLH18248	23,944	-	-	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Public Health Emergency Preparedness	93.069	CLH18248	195,406	-	-	1235
FOOD AND DRUG ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Association of Food & Drug Officials)	Food and Drug Administration Research	93.103	FDA09013	750	-	-	15

**Kitsap Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Injury Prevention and Control Research and State and Community Based Programs	93.136	CLH18248	66,717	-	66,717	-	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	COVID 19 - Immunization Cooperative Agreements	93.268	CLH18248	1,027,214	-	1,027,214	-	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18248	625	-	625	-	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	0069-41987	811	-	811	-	4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18248	3,264	-	3,264	-	1235
Total CFDA 93.268:				1,031,914	-	1,031,914	-	

The accompanying notes are an integral part of this schedule.

**Kitsap Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH18248	195,354	-	195,354	-	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH18248	1,145,035	-	1,145,035	-	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	COVID 19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CLH18248	1,321,598	-	1,321,598	-	1235
Total CFDA 93.323:				2,661,987	-	2,661,987	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	National and State Tobacco Control Program	93.387	CLH18248	37,068	-	37,068	14,944	1235
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via National Association of County and City Health Officials)	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	2020- 022401/2064	20,000	-	20,000	-	15

The accompanying notes are an integral part of this schedule.

**Kitsap Public Health District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	State Physical Activity and Nutrition (SPAN Program)	93.439	CLH18248	67,550	-	67,550	-	1235
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Healthcare Authority)	Medical Assistance Program	93.778	K4648/2118	36,516	-	36,516	-	1235
	Total Medicaid Cluster:			36,516	-	36,516	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	COVID 19- HIV Care Formula Grants	93.917	CLH18248	20,807	-	20,807	-	15
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	CLH18248	134,602	-	134,602	-	1235
	Total Federal Awards Expended:			5,208,660	-	5,208,660	681,918	

The accompanying notes are an integral part of this schedule.

Kitsap Public Health District

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Note 1 – Basis of Accounting

This schedule is prepared using a modified accrual basis of accounting which is a departure from the basis used to prepare the financial statements. The district uses a cash basis of accounting where revenues are recognized only when cash is received, and expenditures are recognized when paid.

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(s)

The amount expended includes \$875,954 claimed as an indirect cost recovery using an approved indirect cost rate of 31.80 percent for Administration, 31.80 percent for Community Health, and 37.71 percent for Environmental Health.

Note 4 – Noncash Awards

The amount of vaccine reported on the Schedule is the value of vaccine received by the district during the current year and priced as prescribed by the Washington State Department of Health.

Note 5 – 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**

**Kitsap Public Health District
January 1, 2021 through December 31, 2021**

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: 2021-001	Finding caption: The District improperly charged payroll expenditures that did not comply with federal cost principles
Name, address, and telephone of District contact person: Melissa Laird, Finance Manager 345 6th Street, Suite 300 Bremerton, WA 98337 (360) 728-2283	
Corrective action the auditee plans to take in response to the finding: <i>The District would like to thank the State Auditor’s Office for their guidance. The District is in process to submit revised invoices to the State for the unallowable costs. In addition, the District will update the Cost Allocation and Timekeeping policy to include the review of indirect and direct costs allocated to each funding source.</i>	
Anticipated date to complete the corrective action: 6/30/2023	

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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.

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