



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

## **Financial Statements and Federal Single Audit Report**

# **Kitsap Public Health District**

**Kitsap County**

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

**Published September 28, 2017**

**Report No. 1019955**





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

September 28, 2017

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  
Kitsap County  
January 1, 2016 through December 31, 2016**

### 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 of all funds 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 no 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>
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance

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

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

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**INDEPENDENT AUDITOR'S REPORT 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  
Kitsap County  
January 1, 2016 through December 31, 2016**

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, Kitsap County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated September 25, 2017.

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 Washington State statutes 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.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's

internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017



**INDEPENDENT AUDITOR'S 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  
Kitsap County  
January 1, 2016 through December 31, 2016**

Board of Health  
Kitsap Public Health District  
Bremerton, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Kitsap Public Health District, Kitsap County, Washington, 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, 2016. 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, 2016.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

### **Purpose of this Report**

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Kitsap Public Health District Kitsap County January 1, 2016 through December 31, 2016**

Board of Health  
Kitsap Public Health District  
Bremerton, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Kitsap Public Health District, Kitsap County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 16.

#### **Management's Responsibility 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 Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion 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.

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the Kitsap Public Health District has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using 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 financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Kitsap Public Health District, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

### **Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

## **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, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

## **Other Matters**

### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken 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). 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 information is 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 25, 2017 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 written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2017

## **FINANCIAL SECTION**

**Kitsap Public Health District  
Kitsap County  
January 1, 2016 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to Financial Statements – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016  
Schedule of Expenditures of Federal Awards – 2016  
Notes to the Schedule of Expenditures of Federal Awards – 2016



**Kitsap Public Health District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

**Beginning Cash and Investments**

30810	Reserved	219,907
30880	Unreserved	2,379,636
388 / 588	Prior Period Adjustments, Net	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	1,034,223
330	Intergovernmental Revenues	7,422,113
340	Charges for Goods and Services	4,778,943
350	Fines and Penalties	-
360	Miscellaneous Revenues	113,931
Total Revenues:		13,349,209

**Expenditures**

510	General Government	-
560	Social Services	12,579,747
Total Expenditures:		12,579,747
Excess (Deficiency) Revenues over Expenditures:		769,463

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	238,269
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		238,269

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	80,952
591-593, 599	Debt Service	300,756
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	234,253
Total Other Decreases in Fund Resources:		615,961

**Increase (Decrease) in Cash and Investments: 391,771**

**Ending Cash and Investments**

5081000	Reserved	440,274
5088000	Unreserved	2,551,039
<b>Total Ending Cash and Investments</b>		<b>2,991,313</b>

*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, 2016**

**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.
- Component units are required to be disclosed, but are not included in the financial statements.
- 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 are not presented using the classifications defined 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. The following fund type is 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.

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. Budgets

The District adopts an annual appropriated budget for the General Fund. This budget is appropriated at the fund level and 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 budgets was as follows:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$13,253,541	\$13,195,708	\$57,833
Total General Fund	\$13,253,541	\$13,195,708	\$57,833

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 the 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.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. 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 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, 2016 is \$543,183.

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, 2016 is \$2,787.

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. Any remaining administrative time on the books as of December 31 is not carried over into the next calendar year. 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.

#### G. Long-Term Debt

See Note 3, *Debt Service Requirements*.

#### H. Other Financing Sources or Uses

The Kitsap Public Health District's Other Financing Sources or Uses consist of Non-Revenues and Non-Expenditures listed below:

The Vital Statistics transfer fee is collected for and paid to the Washington State Treasurer. Effective July 22, 2007, the transfer fee is collected at \$10 per birth or death (1st copy) or \$17 per death (2nd or additional copy) certificate issued. The fee is transferred electronically every quarter through the Kitsap County Treasurer. Fees collected are reported as Non-Revenues and remittances to the State Treasurer are reported as Non-Expenditures.

Unapplied cash receipts from customers are reported as Non-Revenue in accordance with the Washington State BARS Manual.

Other Non-Expenditures include amounts due to the Washington State Department of Revenue for use taxes paid in 2016 and reserved in 2015 and outstanding credits or refunds due from vendors.

#### I. Risk Management

Kitsap Public Health District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$10,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$990,000 on a liability loss.
- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. \*Exception: Norm Dicks Government Center (located at 345- 6th Street, Bremerton, WA 98337) - the member is responsible for the first \$50,000 on property loss and

boiler and machinery loss.

- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its 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.

#### J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved 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 these restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

The District’s reserved fund balance consists of:

- \$115,000 reserved 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.
- \$100,000 reserved by Board Policy for Tuberculosis control activities.
- \$4,200 is reserved for payment of Use Taxes payable to the Washington State Department of Revenue due in January 2017.

## **Note 2 – Deposits and Investments**

It is the District's policy to invest all temporary cash surpluses.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the District or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Type of Investment	Kitsap Public Health District's own investments	Investments held by Kitsap Public Health District as an agent for other local governments, individual or private organizations.	Total
Invested in Kitsap County Investment pool	\$2,880,444	-0-	\$2,880,444
Total	\$2,880,444	-0-	\$2,880,444

## **Note 3 – Debt Service Requirements**

### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Kitsap Public Health District and summarizes the District's debt transactions for year ended December 31, 2016.

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
2016	\$150,000	\$150,750	\$300,750
2017	165,000	146,250	311,250
2018	165,000	141,300	306,300
2019	165,000	136,350	301,350
2020	175,000	129,750	304,750
2021	180,000	122,750	302,750
2022-2026	1,020,000	499,550	1,519,550
2027-2031	1,235,000	283,463	1,518,463
2032-2034	850,000	61,112	911,112
Total	<u>\$4,105,000</u>	<u>\$1,671,275</u>	<u>\$5,776,275</u>

## **Note 4 – Pension Plans**

### **A. State Sponsored Pension Plans**

Substantially all the 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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2016 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.001796%	\$96,454
PERS 1 UAAL	0.052807%	\$2,835,985
PERS 2/3	0.067580%	\$3,402,600

**Kitsap Public Health District  
Schedule of Liabilities  
For the Year Ended December 31, 2016**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.83	KITSAP COUNTY REAL ESTATE CONTRACT KC-304-04	4/1/2034	4,105,000	-	150,000	3,955,000
263.83	Capitalization Grants for Clean Water State Revolving Funds; CRAFT3 Septic	6/30/2022	-	1,000,000	-	1,000,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>4,105,000</b>	<b>1,000,000</b>	<b>150,000</b>	<b>4,955,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	GENERAL LEAVE LIABILITY (1)		468,253	77,717	-	545,970
264.30	NET PENSION LIABILITY		5,274,641	1,060,397	-	6,335,038
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>5,742,894</b>	<b>1,138,114</b>	<b>-</b>	<b>6,881,008</b>
<b>Total Liabilities:</b>			<b>9,847,894</b>	<b>2,138,114</b>	<b>150,000</b>	<b>11,836,008</b>



**Kitsap Public Health District  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

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		
<b>SNAP Cluster</b>								
Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C17113	96,408	-	96,408	-	1,2,4
			<b>Total SNAP Cluster:</b>	<b>96,408</b>	<b>-</b>	<b>96,408</b>	<b>-</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Pierce County AIDS Foundation)	Housing Opportunities for Persons with AIDS	14.241	#09-46201-05 A	3,239	-	3,239	-	1,2,4
Region 10, Environmental Protection Agency (via Washington State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17113	12,729	-	12,729	-	1,2,4
Region 10, Environmental Protection Agency (via Washington Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17113	58,889	-	58,889	-	1,2, 5
Region 10, Environmental Protection Agency (via Washington State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300087	25,032	-	25,032	-	1,2,4
Region 10, Environmental Protection Agency (via Washington State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17113	100,865	-	100,865	-	1,2,4

*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, 2016**

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		
Region 10, Environmental Protection Agency (via Washington State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17113	768	-	768	-	1,2
<b>Clean Water State Revolving Fund Cluster</b>				<b>198,283</b>	<b>-</b>	<b>198,283</b>	<b>-</b>	
Office Of Water, Environmental Protection Agency (via Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2015- KitPHD-00157	833,300	-	833,300	-	1,2
<b>Total Clean Water State Revolving Fund Cluster:</b>				<b>833,300</b>	<b>-</b>	<b>833,300</b>	<b>-</b>	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17113	290,392	-	290,392	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17113	46,815	-	46,815	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Public Health Emergency Preparedness	93.069	C17113	16,270	-	16,270	-	1,2,4
<b>Total CFDA 93.069:</b>				<b>353,477</b>	<b>-</b>	<b>353,477</b>	<b>-</b>	

*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, 2016**

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, Department Of Health And Human Services (via Washington State Department of Health)	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	C17113	23,405	-	23,405	-	1,2,4
	Family Planning_Services	93.217	C17113	46,378	-	46,378	-	1,2,4
Office Of Population Affairs, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	0069-41987	152,487	-	152,487	-	3
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17113	9,112	-	9,112	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17113	14,106	-	14,106	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	Immunization Cooperative Agreements	93.268	C17113	27,970	-	27,970	-	1,2,4

*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, 2016**

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, Department Of Health And Human Services (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	C17113	4,750	-	4,750	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	C17113	3,397	-	3,397	1,2,4
<b>Total CFDA 93.268:</b>				<b>211,822</b>	-	<b>211,822</b>	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Healthcare Authority)	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	K1434	529,999	-	529,999	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington State Department of Health)	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	N21102	362,999	-	362,999	1,2,4
<b>Medicaid Cluster</b>							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Health Care Authority)	Medical Assistance Program	93.778	0069-41987	220,219	-	220,219	1,2,4
<b>Total Medicaid Cluster:</b>				<b>220,219</b>	-	<b>220,219</b>	

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, 2016**

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		
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	C17113	14,464	-	14,464	-	1,2,4
Office Of The Secretary, Department Of Health And Human Services (via Washington State Department of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C17113	103,105	-	103,105	-	1,2,4
Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17113	165,285	-	165,285	-	1,2,4
<b>Total Federal Awards Expended:</b>				<b>3,162,384</b>	<b>-</b>	<b>3,162,384</b>	<b>159,977</b>	

## **Kitsap Public Health District**

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2016**

#### **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 cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

#### **Note 2 – 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 the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 – Noncash Awards – Vaccinations**

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

#### **Note 4 – Indirect Cost Rate**

The amount expended includes \$324,234 claimed as an indirect cost recovery using an approved indirect cost rate of 37.12 percent for Community Health, 35.11 percent for Environmental Health and 31.72 percent for Administration unless the rate is capped by the grant. The Kitsap Public Health District does not qualify to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

#### **Note 5 – 2015 Federal Expenditures reported in 2016**

Approximately \$12,600 of 2015 Federal costs for CFDA 66.123 are including in the 2016 Schedule of Expenditures of Federal Awards (SEFA). These funds were billed after the 2015 SEFA was prepared. It would not be necessary to revise the 2015 SEFA, as it would not have caused CFDA 66.123 to be a major program requiring audit in 2015.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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