



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
Kitsap Public Health District

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

Published September 12, 2019

Report No. 1024352





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

September 12, 2019

Board of Health
Kitsap Public Health District
Bremerton, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on 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, 2018 through December 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of 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 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>
93.069	Public Health Emergency Preparedness
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)
93.778	Medicaid Cluster – Medical Assistance Program

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
January 1, 2018 through December 31, 2018**

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 Kitsap Public Health District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated August 19, 2019.

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

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

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

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

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, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

August 19, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Kitsap Public Health District
January 1, 2018 through December 31, 2018**

Board of Health
Kitsap Public Health District
Bremerton, Washington

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

We have audited the compliance of Kitsap Public Health District, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2018. The District's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

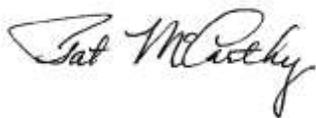
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

Purpose of this Report

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

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

Pat McCarthy

State Auditor

Olympia, WA

August 19, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Kitsap Public Health District January 1, 2018 through December 31, 2018

Board of Health
Kitsap Public Health District
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kitsap Public Health District, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 15.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, 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 cash and investments of Kitsap Public Health District, and its changes in cash and investments, for the year ended December 31, 2018, 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 Kitsap Public Health District, as of December 31, 2018, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 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 August 19, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

August 19, 2019

FINANCIAL SECTION

Kitsap Public Health District January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to the Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

**Kitsap Public Health District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018**

Beginning Cash and Investments

30810	Reserved	366,703
30880	Unreserved	2,139,021
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	-
320	Licenses and Permits	1,377,525
330	Intergovernmental Revenues	5,943,188
340	Charges for Goods and Services	5,034,383
350	Fines and Penalties	-
360	Miscellaneous Revenues	110,033
Total Revenues:		12,465,128

Expenditures

510	General Government	-
560	Social Services	11,577,882
Total Expenditures:		11,577,882
Excess (Deficiency) Revenues over Expenditures:		887,247

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	451,393
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		451,393

Other Decreases in Fund Resources

594-595	Capital Expenditures	7,407
591-593, 599	Debt Service	306,300
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	447,471
Total Other Decreases in Fund Resources:		761,177

Increase (Decrease) in Cash and Investments: 577,463

Ending Cash and Investments

5081000	Reserved	218,494
5088000	Unreserved	2,864,696
Total Ending Cash and Investments		3,083,191

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, 2018

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, 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.

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 3, *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 3 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, 2018 is \$444,451.

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, 2018 is \$1,858.

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. 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 4, *Debt Service Requirements*.

G. 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 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.
- \$3,494 is reserved for payment of Use Taxes payable to the Washington State Department

of Revenue due in January 2019.

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 2018 and reserved in 2017 and outstanding credits or refunds due from vendors.

Note 2 – Budget Compliance

A. Budgets

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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:	\$12,399,517	\$12,339,060	\$60,457
Total General Fund	\$12,399,517	\$12,339,060	\$60,457

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.

Note 3 – 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 fair value. Investments by type at December 31, 2018 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	\$2,967,320	-0-	\$2,967,320
Total	\$2,967,320	-0-	\$2,967,320

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2018.

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
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	190,000	115,548	305,548
2023-2027	1,060,000	458,748	1,518,748
2028-2032	1,280,000	2,38,824	1,518,824
2033-2034	575,000	30,996	605,996
Total	\$3,790,000	\$1,374,275	\$5,164,275

Note 5 – Other Post-Employment Benefit 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 75 active plan members, 1 COBRA plan member, and 5 retired plan members as of December 31, 2018. The District contributed \$860,846 to the plan for the year ended December 31, 2018.

Note 6 – 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.

At June 30, 2018 (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:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 330,369	0.049425%	\$ 2,207,337
PERS 2/3	\$ 487,260	0.063148%	\$ 1,078,196

Note 7 – 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, 2018, there are 549 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

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

- \$1,000,000 self-insured retention on liability loss - the member is responsible for the first \$10,000 of the amount of each claim, while Enduris is responsible for the remaining \$990,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

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

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

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

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

A Board of Directors consisting of seven (7) board members governs Enduris. The Pool’s members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

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

Note 8 – Related Party Transactions

Kitsap County Commissioners serve as members of the Board of Health and have significant influence in the management of the District. In 2018, Kitsap County provided the following funding:

General Public Health	\$ 1,299,655
Clean Water Kitsap	1,084,712
SW Tipping Fees	739,443
Kitsap Connect	335,051
Maternal Support Services	132,626
Septage Tipping Fees	136,666
Tuberculosis Control	99,868
NDGC Debt Payment	40,665
Epidemiology	34,139
Total	<u>\$ 3,902,826</u>

**Kitsap Public Health District
Schedule of Liabilities
For the Year Ended December 31, 2018**

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	4/1/2034	3,790,000	-	165,000	3,625,000
263.83	Capitalization Grants for Clean Water State Revolving Funds; CRAFT3 Septic	6/30/2022	1,011,916	-	216,391	795,524
Total General Obligation Debt/Liabilities:			4,801,916	-	381,391	4,420,524
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	GENERAL LEAVE LIABILITY		436,519	9,790	-	446,309
264.30	NET PENSION LIABILITY		4,951,733	-	1,666,200	3,285,533
Total Revenue and Other (non G.O.) Debt/Liabilities:			5,388,252	9,790	1,666,200	3,731,842
Total Liabilities:			10,190,168	9,790	2,047,591	8,152,366

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, AGRICULTURE, DEPARTMENT OF (via Washington Department of Health)	Food Insecurity Nutrition Incentive Grants Program	10.331	CLH18248	56,630	-	56,630	-	1,2,4
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	20180364/1793	1,820	-	1,820	-	1,2
		Total Child Nutrition Cluster:		1,820	-	1,820	-	
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	96,597	-	96,597	-	1,2,4
		Total SNAP Cluster:		96,597	-	96,597	-	
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	12,547	-	12,547	-	1,2,4
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Pierce County AIDS Foundation)	Housing Opportunities for Persons with AIDS	14.241	16-46201-05	1,940	-	1,940	-	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, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 14.241:	14,487	-	14,487	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CLH18248	3,560	-	3,560	-	1,2,4
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Health/HCCC)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	1684	32,387	-	32,387	-	1,2,4
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	CLH18248	3,691	-	3,691	-	1,2,4
			Total CFDA 66.123:	39,637	-	39,637	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Ecology)	Nonpoint Source Implementation Grants	66.460	WQC-2017- KITPHD- 00039/1689	54,214	-	54,214	-	1,2,4
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington Department of Health)	Beach Monitoring and Notification Program Implementation Grants	66.472	CLH18248	14,000	-	14,000	-	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, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Public Health Emergency Preparedness	93.069	CLH18248	307,284	-	307,284	-	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	0069-41987	-	37,810	37,810	-	3
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18248	7,054	-	7,054	-	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18248	4,837	-	4,837	-	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18248	23,408	-	23,408	-	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	CLH18248	99	-	99	-	1,2,4
Total CFDA 93.268:				35,398	37,810	73,207	-	

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, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health/PHSKC)	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	2230 CDIP/1723	3,191	-	3,191	-	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	PPHF 2018: Office of Smoking and Health- National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305	CLH18248	11,012	-	11,012	3,582	1,2,4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	ACA-Transforming Clinical Practice Initiative: Practice Transformation Networks (PTNs)	93.638	CLH18248	73,117	-	73,117	-	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	N21102/CLH21 102	293,047	-	293,047	173,554	1,2,4
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	CLH18248	33,315	-	33,315	17,558	1,2,4

Medicaid Cluster

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, 2018

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Healthcare Authority)	Medical Assistance Program	93.778	K1406-2	211,630	-	211,630	-	1,2,4
	Total Medicaid Cluster:			211,630	-	211,630	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health/PHSKC)	Organized Approaches to Increase Colorectal Cancer Screening	93.800	CLH18248	1,825	-	1,825	-	1,2,4
	IMMED OFFICE OF THE SECRETARY OF HEALTH AND HUMAN SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	93.889	CLH18248	10,760	-	10,760	-	1,2,4
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	HIV Care Formula Grants	93.917	CLH18248	29,383	-	29,383	-	1,2,4
	HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington Department of Health)	93.917	CLH18248	30,695	-	30,695	-	1,2
Total CFDA 93.917:			60,078	-	60,078	-		

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, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
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	106,646	-	106,646	-	1,2,4
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	68,180	-	68,180	-	1,2,4
Total CFDA 93.994:				174,825	-	174,825	-	
Total Federal Awards Expended:				1,492,868	37,810	1,530,677	194,694	

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, 2018

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, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Noncash Awards - Vaccinations

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 4 – Indirect Cost Rate

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

The amount expended includes \$250,657.28 claimed as an indirect cost recovery using an approved indirect cost rate of 34.98 percent for Administration, 37.62 percent for Community Health and 40.39 percent for Environmental Health unless the rate is capped by the grant.

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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