



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

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

# **Klickitat County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 15, 2014**

**Report No. 1012528**





**Washington State Auditor**  
**Troy Kelley**

September 15, 2014

Board of Commissioners  
Klickitat County  
Goldendale, Washington

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

Please find attached our report on Klickitat County's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR

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# Federal Summary

## Klickitat County January 1, 2013 through December 31, 2013

The results of our audit of Klickitat County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***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 County.

### ***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 County's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction
20.509	Formula Grants for Rural Areas

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Federal Audit Findings and Questioned Costs

## Klickitat County January 1, 2013 through December 31, 2013

- The County did not comply with allowable cost requirements for its Highway Planning and Construction grant, resulting in questioned costs of \$20,081.**

<b>CFDA Number and Title:</b>	20.205 Highway Planning and Construction
<b>Federal Grantor Name:</b>	U.S. Department of Transportation Federal Highway Administration
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Department of Transportation
<b>Pass-through Award/Contract Number:</b>	LA7856, LA8270, LA6312, LA6315, LA8272, LA7368, LA7544, LA8069
<b>Questioned Cost Amount:</b>	\$20,081

### Description of Condition

During 2013, the County spent \$2,212,376 in federal Highway Planning and Construction grant funds for work on road projects. Of this amount, \$20,081 paid by grant funds was for County-owned equipment used on projects funded by the grant.

Federal cost principles allow for reimbursement of equipment rental costs in using county-owned equipment on projects. The rates charged for the renting of equipment must be adequately supported and may not include future replacement costs. The County's rental rates are not adequately supported and include a future replacement cost.

### Cause of Condition

Although the County was aware its rates included future replacement costs and of our concerns over unsupported equipment rates, it performed a comparison against industry standard rates and inquired of the granting agency to ensure its rates were lower and therefore believed them to be an allowable charge against the grant.

### Effect of Condition and Questioned Costs

The County was reimbursed for \$20,081 of unallowable equipment rental costs charged to the federal program. As these charges include a component for future replacement and were not updated or adequately supported, we are questioning these costs.

## **Recommendation**

We recommend the County follow up with the granting agency to resolve the questioned costs. We also recommend the County:

- Discontinue charging future equipment replacement costs to the federal program.
- Update and maintain support for equipment rates charged to federal programs to demonstrate compliance with federal requirements.

## **County's Response**

*The County's equipment rates were established in Feb 2010 then reduced by 10% in Sept 2010. In November 2011 the County received an e-mail from the WSDOT Local Programs Engineer regarding an audit finding for equipment reimbursement at Lincoln County. Guidance received from WSDOT in November 2011 was to compare our rates with Blue Book and Federal rates for specific equipment. If the County Equipment rates were less than this comparison, the guidance received was to use our rates and they would be acceptable. In November 2011 a review of our rates found the County to be less than both the Federal and Blue Book rates. Therefore, based on the guidance received and the results of the comparisons, the County continued to use our equipment rates.*

*Based on the SAO Management letter in the fall of 2013, Klickitat County has been working to develop cost information, evaluate the size of the equipment fleet, update our Six Year Replacement Plan, and are close to establishing new rates in 2014.*

*In addition, the County is currently working with WSDOT to remove any un-allowed equipment costs and substitute with allowable expenditures.*

## **Auditor's Remarks**

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

## **Applicable Laws and Regulations**

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, Title 2 Code of Federal Regulations, Section 225, Appendix B, states in part:

9. *Contingency provisions.* Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

## *11. Depreciation and use allowances.*

a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) except as provided for in subsection g. Except for enterprise funds and internal service funds that are included as part of a State/local cost allocation plan, classes of assets shall be determined on the same basis used for the government-wide financial statements.

b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the governmental unit by an unrelated third party shall be its fair market value at the time of donation. Governmental or quasi-governmental organizations located within the same State shall not be considered unrelated third parties for this purpose.

c. The computation of depreciation or use allowances will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and

(3) Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.

d. Where the depreciation method is followed, the period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, technological developments, and the renewal and replacement policies of the governmental unit followed for the individual items or classes of assets involved. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the



later portions of its useful life, the straight line method of depreciation shall be used.

e. Depreciation methods once used shall not be changed unless approved by the Federal cognizant or awarding agency. When the depreciation method is introduced for application to an asset previously subject to a use allowance, the annual depreciation charge thereon may not exceed the amount that would have resulted had the depreciation method been in effect from the date of acquisition of the asset. The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset or fair market value at time of donation.

f. When the depreciation method is used for buildings, a building's shell may be segregated from the major component of the building (e.g., plumbing system, heating, and air conditioning system, etc.) and each major component depreciated over its estimated useful life, or the entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life.

g. Where the use allowance method is followed, the use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs. The use allowance for equipment will be computed at an annual rate not exceeding  $6 \frac{2}{3}$  percent of acquisition cost. When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (e.g., plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell.

h. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (e.g., dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the  $6 \frac{2}{3}$  percent equipment use allowance limitation.

i. A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the

government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

j. Charges for use allowances or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Governmental units will manage equipment in accordance with State laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained.

*37. Rental costs of buildings and equipment.*

a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

## Schedule of Prior Federal Audit Findings

### Klickitat County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Klickitat County. The State Auditor's Office has reviewed the status as presented by the County.

<b>Audit Period:</b> January 1, 2012 – December 31, 2012	<b>Report Ref. No:</b> 1	<b>Finding Ref. No:</b> 1	<b>CFDA Number(s):</b> 20.509
<b>Federal Program Name and Granting Agency:</b> Formula Grants for Other than Urbanized Areas, U.S. Department of Transportation		<b>Pass-Through Agency Name:</b> Department of Transportation	
<b>Finding Caption:</b> The County did not have adequate internal controls to ensure time and effort documentation was maintained to support payroll and benefit charges.			
<b>Background:</b> The County did not have required time and effort documentation for two employees who were charged to the federal program based on a time study performed in 2005. In addition, there were indirect costs allocated to the program inappropriately for these individuals. Questioned costs totaled \$19,903.			
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;"><input checked="" type="checkbox"/> Fully Corrected</div> <div style="text-align: center;"><input type="checkbox"/> Partially Corrected</div> <div style="text-align: center;"><input type="checkbox"/> No Corrective Action Taken</div> <div style="text-align: center;"><input type="checkbox"/> Finding is considered no longer valid</div> </div>			
<b>Corrective Action Taken:</b> <i>When the item was brought to our attention last August (2012), we immediately changed our process to having those employees report on their time sheet the specific hours worked each day in that particular program.</i>			

## **Status of Prior Audit Findings**

### **Klickitat County January 1, 2013 through December 31, 2013**

The status of findings contained in the prior years' audit reports of Klickitat County is provided below:

- 1. The County should continue to improve internal controls over accounting and financial statement preparation to ensure accurate reporting.**

Report No. 1010605, dated September 30, 2013

#### **Background**

The County's internal controls were not sufficient to ensure accurate financial reporting. Although we found the County had made some improvement from prior years, we still identified significant deficiencies in internal controls. These deficiencies include a lack of a process to properly report financial activity at year end on a cash basis while operating with an accrual accounting system during the year.

#### **Status**

The conditions noted in the prior audits have been resolved. The County implemented internal controls to improve financial reporting by contracting with a certified public accountant who is knowledgeable and experienced with accrual and cash basis reporting.

# **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***

**Klickitat County**  
**January 1, 2013 through December 31, 2013**

Board of Commissioners  
Klickitat County  
Goldendale, 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 Klickitat County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 3, 2014.

We issued an unmodified opinion on the fair presentation of the County'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 County using accounting practices prescribed or permitted 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 County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County'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.

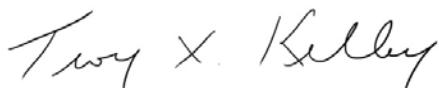
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County'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 County'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 County'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.



**TROY KELLEY**  
STATE AUDITOR

September 3, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Klickitat County  
January 1, 2013 through December 31, 2013**

Board of Commissioners  
Klickitat County  
Goldendale, Washington

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

We have audited the compliance of Klickitat County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the County'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 County'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 County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

### ***County's Response to Findings***

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

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

Management of the County 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 County'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 OMB Circular A-133, 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 County'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.

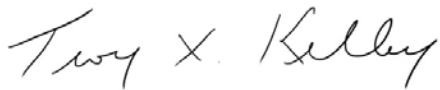
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any



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 OMB Circular A-133. 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 3, 2014

# **Independent Auditor's Report on Financial Statements**

## **Klickitat County January 1, 2013 through December 31, 2013**

Board of Commissioners  
Klickitat County  
Goldendale, Washington

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

We have audited the accompanying financial statements of Klickitat County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 18.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 County'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 County'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, Klickitat County has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the *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 Klickitat County, for the year ended December 31, 2013, 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 County 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 Klickitat County, as of December 31, 2013, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying 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 3, 2014 on our consideration of the County'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 County's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

September 3, 2014

## **Financial Section**

**Klickitat County**  
**January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Roads	104 Senior Services
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	21,126,442	15,987,805	2,836,567	288,827
30880	Beg Fund Bal-Unreserved	9,420,008	4,559,834	0	0
38800/58800	Prior Period Adjustments, net	177,786	0	0	0
<b>Operating Revenues</b>					
310	Taxes	10,725,266	5,412,950	4,297,102	0
320	Licenses & Permits	487,623	355,290	2,923	0
330	Intergovernmental Revenues	7,529,445	973,906	3,739,849	600,374
340	Charges for Goods and Services	13,390,938	6,609,917	1,019,679	930,937
350	Fines & Penalties	859,483	715,951	130,975	0
360	Miscellaneous Revenues	1,931,027	178,168	9,861	91,458
<b>Total Operating Revenues:</b>		<b>34,923,782</b>	<b>14,246,182</b>	<b>9,200,389</b>	<b>1,622,769</b>
<b>Operating Expenditures</b>					
510	General Government	6,047,552	5,312,257	31,305	0
520	Public Safety	6,243,679	5,151,639	0	0
530	Utilities	1,374,061	280,014	0	0
540	Transportation	13,987,708	284,730	9,224,532	0
550	Natural and Economic Environment	835,683	510,710	0	0
560	Social Services	3,321,748	47,404	0	1,734,137
570	Culture And Recreation	520,385	520,385	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>32,330,815</b>	<b>12,107,138</b>	<b>9,255,837</b>	<b>1,734,137</b>
<b>Net Operating Increase (Decrease):</b>		<b>2,592,967</b>	<b>2,139,043</b>	<b>-55,448</b>	<b>-111,368</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	1,243,491	91,114	37,212	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	7,503,629	4,000	0	0
<b>Total Nonoperating Revenues:</b>		<b>8,747,120</b>	<b>95,114</b>	<b>37,212</b>	
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	1,071,000	35,500	1,000,000	0
591-593	Debt Service	772,548	0	14,572	0
594-595	Capital Expenditures	7,192,093	3,197	398,631	0
597	Transfers-Out	7,503,629	7,478,157	0	8,790
<b>Total Nonoperating Expenditures:</b>		<b>16,539,270</b>	<b>7,516,854</b>	<b>1,413,203</b>	<b>8,790</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-5,199,183</b>	<b>-5,282,697</b>	<b>-1,431,439</b>	<b>-120,158</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	13,215,806	10,640,122	0	168,669
50880	End Fund Balance-Unreserved	12,309,248	4,624,821	1,405,128	0

The accompanying notes are an integral part of this Statement.

BARS Code		107 911	108 Marine Fund	110 Veterans Relief	111 Election Reserve
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	324,660	27,311	36,893	259,651
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	178,447	0	39,829	60,645
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	351,709	5,633	0	8,492
340	Charges for Goods and Services	7,134	0	0	55,077
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	-2,499	0	0	51
<b>Total Operating Revenues:</b>		<b>534,792</b>	<b>5,633</b>	<b>39,829</b>	<b>124,265</b>
<b>Operating Expenditures</b>					
510	General Government	0	0	0	174,733
520	Public Safety	499,245	226	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	30,576	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>499,245</b>	<b>226</b>	<b>30,576</b>	<b>174,733</b>
<b>Net Operating Increase (Decrease):</b>		<b>35,546</b>	<b>5,407</b>	<b>9,253</b>	<b>-50,468</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	441
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
<b>Total Nonoperating Revenues:</b>					<b>441</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
<b>Total Nonoperating Expenditures:</b>					
<b>Increase (Decrease) in Cash and Investments</b>		<b>35,546</b>	<b>5,407</b>	<b>9,253</b>	<b>-50,027</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	360,208	32,718	46,147	207,718
50880	End Fund Balance-Unreserved	0	0	0	1,906

The accompanying notes are an integral part of this Statement.

BARS Code		113 Treasurer's O & M	114 Law Library	115 Victim/Witness	117 Weed Control
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	41,102	5,131	-1,502	70,226
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	3
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	59,208	6,600
340	Charges for Goods and Services	26,945	9,570	29,632	103,056
350	Fines & Penalties	0	0	494	0
360	Miscellaneous Revenues	0	0	0	105,284
Total Operating Revenues:		26,945	9,570	89,334	214,944
Operating Expenditures					
510	General Government	13,199	0	82,504	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	189,253
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	3,934
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		13,199		82,504	193,187
Net Operating Increase (Decrease):		13,746	9,570	6,830	21,757
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	35,500	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	50,000
Total Nonoperating Revenues:				35,500	50,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	35,500	0
591-593	Debt Service	0	0	6	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	4,000	0	0	0
Total Nonoperating Expenditures:		4,000		35,506	
Increase (Decrease) in Cash and Investments		9,746	9,570	6,824	71,757
Ending Cash and Investments					
50810	End Fund Bal-Reserved	50,847	7,700	0	91,984
50880	End Fund Balance-Unreserved	0	7,000	5,322	50,000

The accompanying notes are an integral part of this Statement.



BARS Code		118 Auditor's O&M	119 Economic Development	123 Tourism	124 Investigations
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	324,423	109,447	0	186,934
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	0	0	42,807	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	54,275	85,295	0	0
340	Charges for Goods and Services	14,802	138,185	0	5,852
350	Fines & Penalties	0	0	0	12,064
360	Miscellaneous Revenues	51	574	0	612
Total Operating Revenues:		69,129	224,054	42,807	18,527
<b>Operating Expenditures</b>					
510	General Government	36,448	0	0	0
520	Public Safety	0	0	0	9,681
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	237,530	42,807	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		36,448	237,530	42,807	9,681
Net Operating Increase (Decrease):		32,680	-13,476	0	8,847
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	3,700	0	0
Total Nonoperating Revenues:			3,700		
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	20,701	0	0	12,238
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		20,701			12,238
Increase (Decrease) in Cash and Investments		11,979	-9,776	0	-3,391
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	336,403	87,471	0	183,542
50880	End Fund Balance-Unreserved	0	12,200	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		127 Emergency Management	132 Natural Resources	133 Affordable Housing	134 Trial Court Improvements
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	57,249	155,055	83,796	79,393
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	99,540	298,683	0	29,512
340	Charges for Goods and Services	16,800	0	44,864	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	0	79	0
Total Operating Revenues:		116,340	298,683	44,943	29,512
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	136,185	0	0	0
530	Utilities	0	334,366	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	10,126	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		136,185	334,366	10,126	
Net Operating Increase (Decrease):		-19,845	-35,683	34,817	29,512
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	126,000	0	0
Total Nonoperating Revenues:			126,000		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	10,100	0	9,307	0
597	Transfers-Out	6,647	0	0	0
Total Nonoperating Expenditures:		16,747		9,307	
Increase (Decrease) in Cash and Investments		-36,592	90,317	25,510	29,512
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	109,305	108,905
50880	End Fund Balance-Unreserved	20,657	245,372	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		135 Communications	137 Public Health	140 Solid Waste	142 REET Electronic Tech
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	36,476	52,670	0	60,404
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	230,046	0
<b>Operating Revenues</b>					
310	Taxes	233,176	162,144	0	0
320	Licenses & Permits	0	129,410	0	0
330	Intergovernmental Revenues	0	950,130	38,013	0
340	Charges for Goods and Services	284,700	429,555	185,698	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	2,761	16,759	0	8
Total Operating Revenues:		520,637	1,687,998	223,711	8
<b>Operating Expenditures</b>					
510	General Government	0	0	0	7,116
520	Public Safety	446,703	0	0	0
530	Utilities	0	0	274,793	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	1,540,206	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		446,703	1,540,206	274,793	7,116
Net Operating Increase (Decrease):		73,934	147,792	-51,082	-7,108
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	6,035	0	0
Total Nonoperating Expenditures:			6,035		
Increase (Decrease) in Cash and Investments		73,934	141,757	-51,082	-7,108
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	0	194,427	32,000	53,295
50880	End Fund Balance-Unreserved	110,410	0	146,964	0

The accompanying notes are an integral part of this Statement.

BARS Code		201 LTD GO Bond	303 Capital Improvement	305 CGR Airport Cap Improvements	306 Cap Imp - Radio System
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	0	1,314,403	84,915	71,922
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	298,162	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	96,000	0	0
340	Charges for Goods and Services	193,048	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	221	0	0
Total Operating Revenues:		193,048	394,383		
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		193,048	394,383	0	0
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	1,630,000	5,333,500
Total Nonoperating Revenues:				1,630,000	5,333,500
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	193,048	0	0	0
594-595	Capital Expenditures	0	1,125,694	324,885	4,968,360
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		193,048	1,125,694	324,885	4,968,360
Increase (Decrease) in Cash and Investments		0	-731,311	1,305,115	365,140
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1	504,344	0	0
50880	End Fund Balance-Unreserved	0	78,748	1,390,030	437,062

The accompanying notes are an integral part of this Statement.

BARS Code		401 Dallesport WWTF	402 Solid Waste	501 Insurance Claims - HRA	502 Vehicle Rental & Replacement
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	58,923	45,000	0	0
30880	Beg Fund Bal-Unreserved	744,355	185,046	9,226	920,147
38800/58800	Prior Period Adjustments, net	177,786	-230,046	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	846,272	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	64,728	0	431	4,364
Total Operating Revenues:		911,000		431	4,364
Operating Expenditures					
510	General Government	0	0	108,406	0
520	Public Safety	0	0	0	0
530	Utilities	295,634	0	0	0
540	Transportation	0	0	0	250
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		295,634		108,406	250
Net Operating Increase (Decrease):		615,366	0	-107,976	4,114
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	31,781	0	0	48,209
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	100,000	197,639
Total Nonoperating Revenues:		31,781		100,000	245,848
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	564,923	0	0	0
594-595	Capital Expenditures	14,226	0	0	104,413
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		579,149			104,413
Increase (Decrease) in Cash and Investments		67,998	0	-7,976	145,549
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	1,049,061	0	1,250	1,065,696

The accompanying notes are an integral part of this Statement.

BARS Code		504 Equipment Rental & Revolving	505 Senior Vehicle Rental/Replacem ent	506 Information Services R/R
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	0	0	0
30880	Beg Fund Bal-Unreserved	1,352,132	71,088	106,940
38800/58800	Prior Period Adjustments, net	0	0	0
<b>Operating Revenues</b>				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	66,477	65,749
340	Charges for Goods and Services	2,086,752	0	352,461
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	1,453,459	533	4,125
<b>Total Operating Revenues:</b>		<b>3,540,211</b>	<b>67,010</b>	<b>422,335</b>
<b>Operating Expenditures</b>				
510	General Government	0	0	281,584
520	Public Safety	0	0	0
530	Utilities	0	0	0
540	Transportation	4,478,196	0	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
<b>Total Operating Expenditures:</b>		<b>4,478,196</b>		<b>281,584</b>
<b>Net Operating Increase (Decrease):</b>		<b>-937,985</b>	<b>67,010</b>	<b>140,751</b>
<b>Nonoperating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	999,234	0	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	8,790	50,000
<b>Total Nonoperating Revenues:</b>		<b>999,234</b>	<b>8,790</b>	<b>50,000</b>
<b>Nonoperating Expenditures</b>				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	72,582	83,727	44,030
597	Transfers-Out	0	0	0
<b>Total Nonoperating Expenditures:</b>		<b>72,582</b>	<b>83,727</b>	<b>44,030</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-11,333</b>	<b>-7,927</b>	<b>146,721</b>
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	0	0	0
50880	End Fund Balance-Unreserved	1,340,799	63,160	253,661

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	631 Court Trust	632 Treasurer's Trust	634 Real Estate Trust
308	Beginning Cash and Investments	714,720	80,183	199,723	39,229
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	9,826,277	0	0	0
380-390	Other Increases and Financing Sources	2,058,159	1,147,623	104,567	244
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	11,817,719	1,167,472	93,055	21,357
Increase (Decrease) in Cash and Investments		66,717	-19,849	11,512	-21,113
508	Ending Cash and Investments	781,436	60,334	211,235	18,116

BARS Code		639 State School	640 State Fire Patrol	644 County Timber Tax Reserve	646 State Remittance
308	Beginning Cash and Investments	49,714	1,507	93,596	76,061
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	8,378,163	247,354	0	1,135,437
380-390	Other Increases and Financing Sources	61,879	0	97,792	317,530
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	8,417,491	247,032	0	1,489,231
Increase (Decrease) in Cash and Investments		22,551	322	97,792	-36,264
508	Ending Cash and Investments	72,265	1,829	191,388	39,797

BARS Code		647 Mental Health Conditions	649 PSEA	663 Family Service Network
308	Beginning Cash and Investments	35,822	34,597	104,288
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	0	0	65,323
380-390	Other Increases and Financing Sources	89,814	238,710	0
510-570	Expenditures	0	0	0
580-590	Other Decreases and Financing Uses	91,768	246,610	43,703
Increase (Decrease) in Cash and Investments		-1,954	-7,900	21,620
508	Ending Cash and Investments	33,868	26,697	125,908

The accompanying notes are an integral part of this Statement.

**Klickitat County**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2013

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**Note 1 – Summary of Significant Accounting Policies**

Klickitat County (County) reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The County of Klickitat was established by the Territorial Legislature on December 20, 1859 as a statute county, which means that the organization of the County is prescribed by state statute. Locally elected officials include the County Assessor, Auditor, Clerk, Prosecuting Attorney, Sheriff, Treasurer, one Superior Court Judge, two District Court Judges, and the three-member Board of County Commissioners. These elected officials govern the County and establish policies on the basis of the local community's needs and preferences and provide the following services to its constituents: public safety, road maintenance, solid waste management, planning and zoning, parks and recreation, judicial administration, health, social services, and general administrative services.

Excluded from the reporting entity:

Various School Districts, Drainage Districts, Park & Recreation Districts, Fire Protection Districts, Irrigation Districts, Cities and Towns, Public Utility District, Port District, Cemetery Districts, Library Districts, and Hospital Districts. Each of these entities represents a separate political subdivision with elected representation and individual taxing powers. Klickitat County does not significantly contribute to or control the operations of these districts.

The County uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The County's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the County:

**GOVERNMENTAL FUND TYPES:**

General (Current Expense) Fund

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

The current expense fund includes the following eight managerial funds. Managerial funds are funds which do not have restricted or committed revenue sources. The interfund activity between the current expense fund and the managerial funds is



**Klickitat County**  
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eliminated from the financial statements. The following funds were consolidated with the current expense fund.

103 – GIS  
112 – Flood  
116 – Fair  
122 – County tax refund  
125 – Cumulative Reserve  
131 – Community Development Block Grant  
136 – Indigent Defense  
139 – Landfill Gas

In 2012, the Fair, Cumulative Reserve, and Flood funds were reported as special revenue funds. In 2013, they are reported with the General Fund. Public Health was consolidated with the current expense fund in 2012, but reported as a Special Revenue Fund in 2013.

Special Revenue Funds

These funds account for specific revenue sources that are legally restricted or committed to expenditures for specified purposes of the County.

Capital Project Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

**PROPRIETARY FUND TYPES:**

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the County on a cost-reimbursement basis.

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others.

**Klickitat County**  
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Private Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds

These funds are used to account for assets that the County holds for others in an agency capacity.

**B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year's budget appropriations as required by state law.

In accordance with state law the County also recognizes expenditures paid during thirty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**C. Budgets**

The County adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the accrual basis of accounting, while financial statements are reported on the cash basis. Several funds, including public works and ER&R, account for their activity on an accrual basis during the year, then convert to a cash basis for financial statement reporting; budgeting on the accrual basis allows budget variances to be more easily recognized for these funds. As a result, the expenditures in the disclosure below, do not match the expenditures in the Fund Resources and Uses Arising from Cash Transaction.

Budgets are appropriated at the fund level as reported on the financial statements except for the current expense fund, which for financial reporting contains eight managerial funds. These funds are budgeted separately.

Budget amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect

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the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the County's legislative body.

The final appropriated and actual expenditures for legally adopted budgets were as follows:

Fund #	Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001	CE/Adult Probation	\$ 238,294	\$ 225,165	\$ 13,129
001	CE/Assessor	\$ 546,732	\$ 543,143	\$ 3,589
001	CE/Auditor	\$ 541,803	\$ 501,392	\$ 40,411
001	CE/Auditor's Non-Departmental	\$ 92,300	\$ 91,389	\$ 911
001	CE/Board of Equalization	\$ 7,755	\$ 5,030	\$ 2,725
001	CE/Budget & Technical Services	\$ 305,492	\$ 299,181	\$ 6,311
001	CE/Building Inspection	\$ 404,186	\$ 393,011	\$ 11,175
001	CE/Building & Grounds	\$ 1,261,378	\$ 1,064,536	\$ 196,842
001	CE/Civil Service Commission	\$ 8,250	\$ 5,893	\$ 2,357
001	CE/Clerk	\$ 320,889	\$ 313,566	\$ 7,323
001	CE/Commissioners	\$ 391,275	\$ 378,576	\$ 12,699
001	CE/East District Court	\$ 346,424	\$ 336,851	\$ 9,573
001	CE/Historic Preservation	\$ -	\$ (66)	\$ 66
001	CE/Juvenile	\$ 708,314	\$ 682,823	\$ 25,491
001	CE/LEOFF Disability Board	\$ 830	\$ 209	\$ 621
001	CE/Non-Departmental	\$ 278,880	\$ 122,204	\$ 156,676
001	CE/Personnel	\$ 205,077	\$ 190,032	\$ 15,045
001	CE/Planning	\$ 532,764	\$ 489,653	\$ 43,111
001	CE/Prosecuting Attorney	\$ 862,779	\$ 796,367	\$ 66,412
001	CE/Public Defense	\$ 236,750	\$ 223,875	\$ 12,875
001	CE/Sheriff	\$ 3,891,561	\$ 3,891,478	\$ 83
001	CE/Superior Court	\$ 284,720	\$ 224,507	\$ 60,213
001	CE/Treasurer	\$ 384,711	\$ 368,375	\$ 16,336
001	CE/West District Court	\$ 279,053	\$ 267,340	\$ 11,713
001	CE/WSU Extension	\$ 165,908	\$ 140,104	\$ 25,804
<b>Total General Fund</b>		<b>\$ 12,296,125</b>	<b>\$ 11,554,633</b>	<b>\$ 741,493</b>

**Klickitat County**  
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Fund #	Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
101	Road	\$ 16,777,825	\$ 10,533,893	\$ 6,243,932
103	GIS*	\$ 57,500	\$ 41,031	\$ 16,469
104	Senior Services	\$ 1,772,479	\$ 1,739,731	\$ 32,748
107	Enhanced 9-1-1	\$ 615,623	\$ 498,386	\$ 117,237
108	Marine	\$ 20,130	\$ 226	\$ 19,904
110	Veterans Relief	\$ 33,500	\$ 30,576	\$ 2,924
111	Election Reserve	\$ 201,313	\$ 174,671	\$ 26,642
113	Treasurer's O&M	\$ 30,000	\$ 17,199	\$ 12,801
114	Law Library	\$ 7,000	\$ -	\$ 7,000
115	Victim/Witness	\$ 99,341	\$ 82,510	\$ 16,831
116	County Fair*	\$ 161,675	\$ 153,273	\$ 8,402
117	Weed Control	\$ 201,439	\$ 193,009	\$ 8,430
118	Auditor's O&M	\$ 88,637	\$ 57,149	\$ 31,488
119	Economic Development	\$ 383,168	\$ 232,624	\$ 150,544
123	Economic Development	\$ 45,000	\$ 42,807	\$ 2,193
124	Investigations	\$ 66,208	\$ 21,919	\$ 44,289
125	Cumulative Reserve*	\$ 8,500,500	\$ 7,566,183	\$ 934,317
127	Emergency Management	\$ 186,107	\$ 186,000	\$ 107
131	CDBG (Comm Dev Block Grant)*	\$ 1,225,000	\$ 13,377	\$ 1,211,623
132	Natural Resources	\$ 399,387	\$ 339,152	\$ 60,235
133	Affordable Housing	\$ 44,434	\$ 19,433	\$ 25,001
134	Trial Court Improvements	\$ 12,000	\$ -	\$ 12,000
135	Communications	\$ 458,700	\$ 447,366	\$ 11,334
136	Indigent Defense Services*	\$ 25,830	\$ 17,251	\$ 8,579
137	Public Health	\$ 1,550,950	\$ 1,545,953	\$ 4,997
139	Landfill Gas Improvements*	\$ 565,000	\$ 535,014	\$ 29,986
142	REET Electronic Technology	\$ 15,000	\$ 7,116	\$ 7,884
201	LTD GO Bond	\$ 193,048	\$ 193,048	\$ 1
303	Capital Improvement	\$ 1,721,000	\$ 1,163,001	\$ 558,000
305	Airport CERB	\$ 2,295,000	\$ 326,566	\$ 1,968,434
306	Capital Imp: Radio System	\$ 5,800,000	\$ 4,994,641	\$ 805,359
401	Dallesport Wastewater Facility	\$ 1,305,592	\$ 681,246	\$ 624,346
140	Solid Waste	\$ 279,129	\$ 274,741	\$ 4,388
501	Insurance Claims	\$ 120,000	\$ 108,406	\$ 11,594
502	Commissioners Vehicle R&R	\$ 137,393	\$ 104,663	\$ 32,730
504	Road ER&R	\$ 5,098,000	\$ 4,585,675	\$ 512,325
505	Senior's Vehicle R&R	\$ 120,000	\$ 83,727	\$ 36,273
506	Information Service R&R	\$ 482,675	\$ 325,614	\$ 157,061

\* Managerial Funds are reported in the financial statements with the current expense Fund

**Klickitat County**  
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**D. Cash**

It is the County's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the current expense fund.

**E. Deposits**

The County's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and by the Washington Public Deposit Protection Commission.

**F. Investments (See Note 3)**

**G. Capital Assets**

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

**H. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and sick leave.

County employees receive vacation leave monthly at rates established by county policy or union contract. Vacation leave maximum accumulations and the amount payable upon separation or retirement vary by length of service, pay plan policy and/or bargaining unit.

Sick leave is accrued and paid out on a prorated basis based upon length of service, pay plan policy, and/or bargaining unit provisions.

All payments are based upon current wages at termination.

Compensated absences payable at December 31, 2013 of \$809,499 is included in Schedule 09.

**I. Long-Term Debt – See note 6**

**J. Other Financing Sources or Uses**

The County's "Other Financing Sources and Uses" consists of Transfers In/Out, proceeds from sale of fixed assets, debt service, and Intergovernmental Agreements/Subsidies.

**K. Reserved Cash Balance**

Cash balances are displayed as reserved when the use of the cash is reserved by internal or external requirements. These reserve balances are to be used for the following functions:

**Klickitat County**  
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<b>Fund/Name</b>	<b>Total Reserved</b>	<b>Purpose</b>
001 General Fund	10,640,122	Various funds; Grants, RCW & Resolutions
104 Senior Services	\$168,669	Grant Restricted
107 Emergency Management	\$360,208	RCW 38.52; RCW 82.14B
108 Marine Fund/Safety	\$32,718	RCW 88.02.040
110 Veterans Relief	\$46,147	RCW 73.08.010; RCW 73.08.080
111 Election Reserve/Activity	\$207,718	RCW 36.33.200
113 Treasurer's O&M Operating	\$50,847	RCW 84.56.020
114 Law Library	\$7,700	RCW 27.24
117 Weed Control/Operating	\$91,984	RCW 17.10.074
118 Auditor's O&M	\$336,403	RCW 36.22.170
119 Economic Development	\$87,471	Grant Restricted
124 Investigations/Drug Impress	\$183,542	KC BOCC Res#14184; KC BOCC Res#22998
133 Affordable Housing	\$109,305	SHB 2060
134 Trial Court Improvement/Capital	\$108,905	RCW 3.58; ESSSB 5454
137 Public Health	\$194,427	RCW 70.12, Grant restricted
140 Solid Waste	\$32,000	WAC 173-304-467
142 REET Tech Fund	\$53,295	RCW 82.46
303 Capital Improvement	\$504,344	KC BOCC Res#16312 201 LTD GO Bond Grant restricted

**L. Risk Management**

Klickitat County is a member of Washington Rural Counties Insurance Program. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire, or contract for risk

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management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperations Act. The program was formed on September 1, 1998, when three counties in the state of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Eight counties have joined the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision; Equipment Breakdown and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, are included to fit members' various needs.

The program acquired insurance through their Administrator, Canfield. Liability coverage is purchased to an aggregate limit of \$45,000,000 with a self-insured retention of \$50,000. Members are responsible for a \$1,000 to \$5,000 self-insured retention. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$50,000 self-insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$719,754 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 - \$5,000 per occurrence deductible. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500 (\$5,000 for sewer plants). Members are responsible for the full deductible amount of each claim. There is no program self-insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before December 31 before terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program is funded by its member participants. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending August 31, 2013, were \$510,118.92.

The program is governed by an eight-member board of directors elected by each member's designated voting representative. It is felt the individual counties are best able to select their own representatives to manage their insurance association. The program has no employees, but has contracted with Canfield to perform the daily administration of the program, including underwriting, brokerage, account education, risk management, and claims administration.

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**UNEMPLOYMENT INSURANCE**

Pursuant to Chapter 50.44.030 and 50.44.060 RCW, Klickitat County makes payments for unemployment benefits to the Washington Employment Security Department in lieu of contributions. The Employment Security Department charges the full amount of unemployment benefits attributable to Klickitat County.

**Note 2 – Compliance and Accountability**

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

There are no funds or departments with expenditures exceeding legal appropriations.

**Note 3 – Investments**

The County's investments are insured, registered, or held by the County or its agent in the County's name. Investments are presented at fair market value.

Investments by type at December 31, 2013 are as follows:

Type of Investments	County's Own Investments	Investments Held by County as an Agent for Other Local Governments, Individuals or Private Organizations	Total
State investment pool	\$38,420,508.94	\$14,363,428.00	\$52,783,936.94
Money Market	\$500,000.00	\$19,840,299.91	\$20,340,299.91
<b>TOTAL</b>	<b>\$38,920,508.94</b>	<b>\$34,203,727.91</b>	<b>\$73,124,236.85</b>

**Note 4 – Property Taxes**

The County treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the County. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The County's regular levy for 2013 was \$1.173916708078 per \$1,000 on an assessed valuation of \$3,593,690,209.00 for a total regular levy of \$4,218,692.98.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general governmental services. The County's road levy for 2013 was \$1.407717876392 per \$1,000 on an assessed valuation of \$2,951,651,911.00 for a total regular levy of \$4,155,093.16.



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**Note 5 – Interfund Loans and Advances**

Resolution #11113 approved a \$1,000,000, no interest, interfund loan from Road Fund #101 to the ERR Fund #504 for the cash flow needed for the 2013 ERR Rock Crushing to be used by Road in 2014. The ERR fund is crushing at four locations in 2013 for Road Maintenance and Construction projects. Due to delays in permitting and Right of Way acquisition, the rock will be used in 2014 rather than 2013 as previously planned. The six to twelve month delay in use of the rock exceeds the ERR Fund cash flow capability. The 2013-3 Supplemental Budget includes an increase to the Road Fund Budget for this loan.

The Board of County Commissioners forgave in full the loans, interest and service fees owed due to Resolutions #11210 and #05811. The Commissioners had previously authorized interfund loans through Resolutions #11210 and #05811 totaling \$1,900,000 from Fund 125 Cumulative Reserve to Fund 306 Capital Improvements: Radio System for the construction of a new radio system and new dispatch center which were to be paid back from proceeds of bonds. The Commissioners elected not to pursue bonds for the project and to repay the reserves spent on the radio system and dispatch center through annual allocations of landfill revenues as prescribed in Ordinance #042914.

**Note 6 – Long Term Debt**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liability of the County and summarizes the County's debt transactions for 2013. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

YEAR	GO Bonds	Other Debt	Total Debt
2014	193,548	576,932	770,480
2015	193,860	574,370	768,230
2016	193,985	557,660	751,645
2017	193,585	555,239	748,824
2018	193,985	552,818	746,803
2019-2023	956,338	1,732,312	2,688,650
2024	193,048	0	193,048
<b>TOTAL</b>	<b>\$2,118,349</b>	<b>\$4,549,331</b>	<b>\$6,667,680</b>

Other debt includes two Dallesport Waste Water Treatment Facility loans and a Swale Creek Loan.

At December 31, 2013 compensated absences payable are estimated at \$809,499. Additionally, the commitment for the maintenance of the Horsethief Landfill is approximately \$21,028 annually, with the last payment made in 2014.

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**Note 7 – Pension Plans**

Substantially all Klickitat County full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS) Plans 1, 2, and 3; Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2; or Public Safety Employees' Retirement System (PSERS) Plan 2 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the County's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380

**Note 8 – Other Disclosures**

**A. Other Postemployment Benefits Other Than Pension Benefit**

In addition to the pension benefits described in Note 7, the County provides post-employment health care benefits, in accordance with Revised Code of Washington (RCW) 41.26.150 to all LEOFF 1 retirees. There are currently six LEOFF 1 retirees on the rolls of the county.

The County's post-employment health care benefits for each retiree include payment of the total cost of the health insurance premium and any remaining balance of eligible medically necessary costs not paid by insurance. During 2013, total expenditures of \$41,687.64 were recognized for post-employment health care.

**B. Related Parties**

1. *AAADSW (Area Agency on Aging & Disabilities of Southwest Washington is governed by a Council of Governments which consists of elected officials from the five county service area of Klickitat, Skamania, Clark, Cowlitz, & Wahkiakum Counties. Rex Johnston, Klickitat County Commissioner currently serves as the elected official and Sharon Carter, Director of Klickitat County Senior Services serves as his alternate but cannot vote in his absence on any budget/financial decisions.*

Klickitat County Senior Services is a contracted provider and provides services through funding from AAADSW. On some contracts we are a subrecipient and on some a vendor.

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In 2013, the County contracted with this agency for:

- \$50,500 cost reimbursement for transportation-Older Americans Act Title IIIB and SCSA state funds for transportation
- \$78,000 for nutrition-Congregate Meal and Home Delivered Meals-Older Americans Act Title IIIC
- \$38,500 for information and assistance-Older Americans Act IIIB
- \$3,340 for FCSP Access Service
- SCSA \$3,500 for Disease Prevention/Health Promotion-Older Americans Act IIID
- SFCSP \$180 per class for two instructors per class, \$1,080 for one 6-class program- Older Americans Act TIIIE & SFCSP
- Aging Network Case management and Family Caregiver Support Program. Cost Reimbursement with limit of \$2,000; Aging Network Case Management for \$2,500-FCSP-Older Americans Act TIIIB and TIIIE
- Medicaid Case Management. Fee for Service of \$121.70 per client per month-Title XIX
- Home Care Agency Services -Title XIX Medicaid; SCSA, SFCSP, CHORE and Older Americans Act TIIIB and IIIE
- \$5,500 for Chronic Disease Self-Management Program-Older Americans Act IIIB

**2. Greater Columbia Behavioral Health**

There is an Interlocal Agreement between Greater Columbia Behavioral Health and member counties which includes Klickitat County for the purpose of planning, authorizing, and coordinating mental health services for all member counties to the agreement.

**3. Columbia Gorge Housing Authority**

The Columbia Gorge Housing Authority contracts with the Mid-Columbia Housing Authority to administer its programs. The Mid-Columbia Housing Authority and Columbia Gorge Housing Authority provide safe, decent, affordable housing to low-income families in Wasco, Sherman and Hood River Counties in Oregon (Mid-Columbia HA) and Klickitat and Skamania counties in Washington (Columbia Gorge HA).

**C. Joint Ventures**

On November 1, 2002 the County and the City of The Dalles, OR, entered into an agreement for equal joint ownership of the Columbia Gorge Regional/The Dalles Airport, located in Dallesport, Washington. The transfer and recording of Klickitat County's 50% ownership was done on September 29, 2003. Klickitat County expects to contribute a minimum of \$50,000 each year for operational expenses and fully expects to receive 50% of net income when the airport is on a profitable footing. No profits have been received by the County as of the end of 2013. An Enterprise Fund was established under the authority of the City of The Dalles, OR for the purpose of advancing funding necessary to carry out the provisions of the Joint Operating

**Klickitat County**  
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Agreement. The County and City will deposit money related to maintenance, operation, and capital improvements at the Airport into the City's Enterprise Fund.

On April 30, 2014, the County entered into an inter-local agreement with the cities within the County (the City of Bingen, the City of White Salmon and the City of Goldendale) to form the Klickitat County Emergency Medical Services District No. 1 ("District"), for the purpose of providing emergency medical services to the unincorporated areas of the county and incorporated areas within city boundaries. The areas within the boundaries of the Bickleton Fire Protection District No.2 and Alderdale Fire Protection District No. 10 are excepted from the inter-local agreement. The County residents had formerly been provided emergency services by Klickitat County Public Hospital Districts No.1 and No.2. The District has authority to levy tax, and a levy was approved by voters to support the operations of the new District beginning 2014. The District was governed by the County commissioners until the new board was established in June 2014. The board comprises five members: one representing the Cities, one representing both hospital districts, and three remaining Directors appointed by the County Commissioners, one from each Commission Districts. In the year 2013, there was no fund activity.

**D. Closure and Postclosure Care Cost**

State and federal laws and regulations require that Klickitat County conduct post-closure maintenance of landfills once closed. Horsethief Landfill was 100% full and closed in 1994. Maintenance and monitoring functions must be performed at the landfill each year for 20 years after closure, given that it was closed under the authority of WAC 173-304. Each year the Solid Waste Budget includes the annual post-closure costs needed for the Horsethief Landfill. 2013 annual costs associated with the landfill were \$21,028 to cover groundwater monitoring and consultant fees. Groundwater monitoring was discontinued at the end of 2013 with some activities and expenses going into the 2014 budget, and it is anticipated all post-closure activities will cease sometime in 2014. Post-closure care is funded as a regular part of the Solid Waste budget process. A small portion of landfill revenues from Host fees as described in the contract between Allied Waste (owner/operators of Roosevelt Landfill) and Klickitat County, which funds the entire Solid Waste Department, is used to finance post-closure care. The Solid Waste Department uses no general fund monies.

**E. Roosevelt Regional Landfill**

A major source of revenue for the County is the Roosevelt Regional Landfill. On April 15, 2002, Klickitat County entered into a contractual agreement effective January 1, 2002 with Allied Waste Industries, Inc. (AWIN) to continue operating a landfill at Roosevelt, Washington. AWIN pays the County a fixed administrative fee along with other fees based upon the number of tons of solid waste disposed of at the landfill. The money is apportioned to the various funds in the County. The contract is for 25 years with the option to extend it by three, five-year periods. This would take the contract out to 2042. The fees each year will vary.

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The fees and distribution for 2013 are:

<b>FUND</b>	<b>FEES</b>
General Fund # 001	\$4,381,197.00
Road Fund # 101	\$1,000,000.00
GIS Fund #103	\$51,647.00
Senior Services # 104	\$92,563.00
Law Library # 114	\$3,000.00
Victim/Witness Fund # 115	\$15,548.00
County Fair # 116	\$25,000.00
Economic Development # 119	\$138,184.77
Cumulative Reserve # 125	\$1,290,418.65
Emergency Management #127	\$16,800.00
Sheriff Communications #135	\$200,000.00
Public Health #137	\$235,000.00
Solid Waste # 140	\$170,000.00
LTD GO Bond Fund #201	\$193,048.00
Dallesport WW System #401	\$575,000.00
Information Services # 506	\$352,461.00
<b>TOTAL</b>	<b>\$8,739,867.42</b>

MCAG NO. 0138

**Klickitat County**

Schedule 09

## Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	County LTGO 2005	12/1/2024	1,790,000	0	120,000	1,670,000
	259.11	Compensated Absences		683,160	126,339	0	809,499
	263.21	Horsethief Landfill		5,840	50,188	21,028	35,000
	263.81	PW-01-691-038-263.81	7/1/2021	4,357,894	0	484,211	3,873,683
	263.81	PW-5-95-791-018-263.81	7/1/2015	42,442	0	14,147	28,295
	263.81	SRF-L0200013	2/28/2023	618,692	0	58,924	559,768
<b>Total General Obligations:</b>				<b>7,498,028</b>	<b>176,527</b>	<b>698,310</b>	<b>6,976,245</b>
<b>Total Liabilities:</b>				<b>7,498,028</b>	<b>176,527</b>	<b>698,310</b>	<b>6,976,245</b>

The accompanying notes to the financial statements are an integral part of this schedule

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2013**

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture/WA DOH	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16890	161,774		161,774	
Food And Nutrition Service, Department Of Agriculture/WA DOH	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16890	150		150	
Forest Service, Department Of Agriculture/O	Schools and Roads - Grants to States	10.665	Title I - Schools and Roads	23,529		23,529	
Forest Service, Department Of Agriculture/O	Schools and Roads - Grants to States	10.665	Title I - Schools and Roads	6,600		6,600	
<b>Total CFDA 10.665</b>				<b>30,129</b>	<b>0</b>	<b>30,129</b>	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce/WA Recreation & Conservation Office	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	11-1491P & 13-1378P	58,519		58,519	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Office Of Community Planning And Development, Department Of Housing And Urban Development/WA Dept of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	10-64100-022 & 10-64100-038	45,482		45,482
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA Dept of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12-65400-028	4,893		4,893
<b>Total CFDA 14.228</b>				<b>50,374</b>	<b>0</b>	<b>50,374</b>
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/WA DSHS	Juvenile Accountability Block Grants	16.523	0663-98331	2,250		2,250
Violence Against Women Office, Department Of Justice/WA Dept of Commerce	Violence Against Women Formula Grants	16.588	F12-311033-00	25,939		25,939
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	BROS	2,525		2,525
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	STP-R	1,541,354		1,541,354
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	BHOS	299,438		299,438
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	HISP	369,060		369,060
<b>Total CFDA 20.205</b>				<b>2,212,376</b>	<b>0</b>	<b>2,212,376</b>

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule



Federal Transit Administration (fta), Department Of Transportation/WA DOT	Formula Grants for Rural Areas	20.509	UCO5316/UCB1 143	173,949	173,949	
Federal Transit Administration (fta), Department Of Transportation/WA DOT	Formula Grants for Rural Areas	20.509	UCO5316	10,031	10,031	
Federal Transit Administration (fta), Department Of Transportation/WA DOT	Formula Grants for Rural Areas	20.509	UCO5316/UCB1 143	168,956	168,956	
Federal Transit Administration (fta), Department Of Transportation/WA DOT	Formula Grants for Rural Areas	20.509	UCO5316	590	590	
<b>Total CFDA 20.509</b>				<b>353,526</b>	<b>0</b>	<b>353,526</b>
Federal Transit Administration (fta), Department Of Transportation/WA DOT	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	UCO5315	66,477	66,477	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA SPC	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	C120557GSC	2,217	2,217	
Office Of Water, Environmental Protection Agency/WA DOH	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C16890	500	500	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	C25512	3,322	3,322	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Administration For Community Living, Department Of Health And Human Services/WA DSHS	Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	C25612	9,382		9,382	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	C25812	19,725		19,725	
		<b>Total CFDA 93.044</b>		<b>29,107</b>	<b>0</b>	<b>29,107</b>	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	C25612	54,000		54,000	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	C25612	10,200		10,200	
		<b>Total CFDA 93.045</b>		<b>64,200</b>	<b>0</b>	<b>64,200</b>	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Nutrition Services Incentive Program	93.053	C25612	12,400		12,400	
Administration For Community Living, Department Of Health And Human Services/WA DSHS	Nutrition Services Incentive Program	93.053	C25612	1,400		1,400	
		<b>Total CFDA 93.053</b>		<b>13,800</b>	<b>0</b>	<b>13,800</b>	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Public Health Emergency Preparedness	93.069	C16890	21,117		21,117	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DOH	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C16890	2,000		2,000	
Office Of Population Affairs, Department Of Health And Human Services/WA DSHS	Family Planning_Services	93.217	C16890	21,792		21,792	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Immunization Cooperative Agreements	93.268	C16890	5,125		5,125	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C05812	11,561		11,561	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DSHS	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16890	5,184		5,184	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA DOH	PPHF2013: State Nutrition, Physical Activity, and Obesity Programs - financed in part by 2013 PPHF	93.548	C05812	18,417		18,417	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Administration For Children And Families, Department Of Health And Human Services/WA DSHS	Child Support Enforcement	93.563	2110-80742	60,101		60,101	
Administration For Children And Families, Department Of Health And Human Services/WA DSHS	Child Support Enforcement	93.563	2110-80742	20,019		20,019	
		<b>Total CFDA 93.563</b>		<b>80,120</b>	<b>0</b>	<b>80,120</b>	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA DSHS	Medical Assistance Program	93.778	1163-27315	89,124		89,124	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27315	53,187		53,187	
Health Resources And Services Administration, Department Of Health And Human Services/WA DSHS	Maternal and Child Health Services Block Grant to the States	93.994	C16890	35,230		35,230	
Department Of Homeland Security/WA State Military Dept	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D12-05/FEMA-4056-DR-WA	5,471		5,471	
Department Of Homeland Security/WA State Military Dept	Homeland Security Grant Program	97.067	E11-127 & E11-128 & E12-222 & E12-325	114,569		114,569	
		<b>Total Federal Awards Expended:</b>		<b>3,537,558</b>	<b>0</b>	<b>3,537,558</b>	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

KLICKITAT COUNTY, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the County's financial statements. The County uses the cash basis of accounting.

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 county's portion, are more than shown.

# Corrective Action Plan for Findings Reported Under OMB Circular A-133

## Klickitat County January 1, 2013 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of Klickiat County. The State Auditor's Office has reviewed the information as presented by the County.

<b>Finding ref number:</b> 1	<b>Finding caption:</b> The County Did not comply with allowable costs requirements for its Highway Planning and Construction grant, resulting in questioned costs for \$20,081.
<b>Name, address, and telephone of auditee contact person:</b> Susan Gregson, Public Works Finance Manager 205 South Columbus Goldendale, WA 98620 (509) 773-2328	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The County is currently working with WSDOT to remove any un-allowed equipment costs billed to the projects and substitute with allowable expenditures.</i>  <i>Klickitat County has been working to develop equipment cost information, evaluate the size of the equipment fleet, update our Six Year Replacement Plan, and is close to establishing new rates in 2014.</i>	
<b>Anticipated date to complete the corrective action:</b> October 1, 2014	

## 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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