



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements and Federal Single Audit Report

Ferry County

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

Published September 29, 2014

Report No. 1012732





Washington State Auditor
Troy Kelley

September 29, 2014

Board of Commissioners
Ferry County
Republic, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Ferry 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

Ferry County January 1, 2013 through December 31, 2013

The results of our audit of Ferry 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 identified 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 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, with the exception of Crime Victim Assistance on which we issued a qualified opinion on compliance with applicable requirements.

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>
10.665	Schools and Roads Cluster - Schools and Roads - Grants to States
16.575	Crime Victim Assistance
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

Ferry County January 1, 2013 through December 31, 2013

1. The County did not have adequate internal controls to ensure compliance with allowable cost requirements.

CFDA Number and Title:	16.575 Crime Victim Assistance
Federal Grantor Name:	U.S. Department of Justice
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Department of Commerce, Department of Social and Health Services Commerce:
Pass-through Award/Contract Numbers:	13-31110-126 and 14-31110-126; S13-31119-016 and S14-311190016 Social and Health Services: 1263-53255 and 1363-79277
Questioned Cost Amount:	\$24,999

Background

Federal Crime Victim Assistance funding is received by Ferry County's Connections Department as part of three grant agreements from Washington State. Two of these grant agreements combine federal Crime Victim Assistance funds with funds from other federal assistance programs as well as the Washington State General Fund. During 2013, the Connections Department spent the following amount of federal Crime Victim Assistance funds within these grant agreements:

Emergency Domestic Violence Shelter and Supportive Services:	\$42,572
Crime Victim Service Center:	\$42,985
Sexual Assault Core and Specialized Services:	\$14,736

Description of Condition

Federal regulations related to allowable costs and the County's agreement with Washington State Department of Social and Health Services both require the County to maintain a current cost allocation plan to ensure each funding source is paying its appropriate share of overhead costs, and the costs are allowable and supported by actual costs.

During the first eight months of 2013, the Connections Department did not maintain an overhead cost allocation plan. Expense vouchers contained allocation percentages to

distribute the cost among funding sources, but the vouchers did not include the rationale or support for the allocation or reasons why some expenses were not allocated to all of the Connections funding sources.

Cause of Condition

During 2013, three different individuals served as Director of the Connections Department. The current Director was hired in August 2013. The earlier Directors had minimal financial and grant management experience. We consider this control deficiency to be a material weakness in internal controls.

Effect of Condition and Questioned Costs

Of the \$100,293 in federal Crime Victim Assistance funds that were spent in 2013, we estimate the County allocated about \$24,999 among these grants during the first eight months of 2013 without the support of an overhead cost allocation plan. We are questioning this amount.

Noncompliance with grant requirements may require the County to return all or a portion of this money to the grantor.

Recommendation

We recommend the County dedicate the necessary time and resources, including training staff to:

- Maintain a detailed overhead cost allocation plan; revise and reconcile it periodically (at least annually) as needed to support actual costs.
- Work with the Department of Commerce and the Department of Social and Health Services to determine whether any portion of these costs should be repaid.

County's Response

A cost allocation plan was completed in the fall of 2013 when the new Director became aware of the requirement.

Auditor's Remarks

We appreciate the County's assistance and we will review the condition during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, states in part:

Section 300

The auditee shall:

- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 500, states in part:

- (a) The audit shall be conducted in accordance with GAGAS.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. 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.

U.S. Office of Management and Budget Circular A-87, 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*, Appendix A, General Principles for Determining Allowable Costs, states in part:

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

b. Be allocable to Federal awards under the provisions of this Circular.

j. Be adequately documented.

3. Allocable costs.

a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received

b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

d. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Attachments C, D, and E.

Emergency Domestic Violence Shelter and Supportive Services County Program Agreement, Washington State Department of Social and Health Services, Contract Number 1263-53255, Section 13, states in part:

The Contractor shall maintain a current cost allocation plan. The plan must clearly and completely describe the methodology used to determine what portion of shared costs will be allocated to each funding source being billed for such costs.

Schedule of Audit Findings and Responses

Ferry County January 1, 2013 through December 31, 2013

2. The County's internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting.

Background

County management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls over financial reporting that could affect the County's ability to produce reliable financial statements.

Prior audits have consistently identified less significant weaknesses in accurate financial reporting that have been communicated to the County's management.

Description of Condition

Our audit identified deficiencies in internal controls that, when taken together, represent a significant deficiency:

- County staff responsible for financial statement preparation lacked sufficient technical knowledge needed to ensure that the County's financial reports complied with recent changes in reporting requirements.
- Review process was not effective in identifying instances where financial statements and schedules were not complete or did not meet current reporting requirements.

Cause of Condition

Accounting staff has taken additional responsibilities overseeing financial operations of other departments as well as other local special purpose districts. This has affected the ability of staff to dedicate the time necessary to ensure that financial statements are prepared accurately.

Effect of Condition

Our audit identified the following errors:

- Three trust funds were omitted from the financial statement and five funds were not appropriately combined with related funds.

- Approximately \$2.5 million in beginning fund balance and \$2.3 million in ending fund balance were incorrectly reported as unreserved.
- Estimated liability for future landfill post closure costs was omitted from the Schedule of Liabilities. We estimated that this liability was between \$108,000 and \$135,000.

We also noted less significant errors on the Schedule of Expenditures of Federal Awards. The County has corrected all of misstatements.

Recommendation

We recommend the County:

- Provide adequate time and training to staff responsible for financial reporting so that the County's statements comply with reporting requirements and the likelihood of errors is reduced.
- Establish a detailed secondary review process to ensure financial statements comply with current reporting requirements.

County's Response

The County disagrees with this finding for the most part because the financials accurately reflected the County's fund totals. There was a misunderstanding with prior state examiners on how to reflect the amount of funds to be shown as reserved and unreserved and which funds needed to be rolled up. Inadvertently the trust funds didn't get put on the C5 originally but they were on the schedule of cash activity. County staff will get additional training in 2015 to try to improve the review process so they can catch mistakes. All known errors were corrected prior to this response.

Auditor's Remarks

We appreciate the assistance provided by County management and staff, and we will review this condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2007 Revision – Section 5.11, provides that auditors should report significant deficiencies and material weaknesses in internal control.

For all financial audits, auditors should report the following deficiencies in internal control:

- a. Significant deficiency: a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate,

authorize, record, process, or report financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

- b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting Accounting and Reporting System Manual – Part 3, Accounting, Chapter 1, states in part:

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body

Schedule of Prior Federal Audit Findings

Ferry 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 Ferry County. The State Auditor's Office has reviewed the status as presented by the County.

Audit Period: 2012	Report Ref. No: 1010491	Finding Ref. No: 1	CFDA Number: 10.665
Federal Program Name and Granting Agency: Schools and Roads – Grants to States, U.S. Department of Agriculture, U.S. Forest Service		Pass-Through Agency Name: Office of the State Treasure	
Finding Caption: Ferry County made purchases with the Title III portion of its School and Roads program that were not allowable, and did not comply with cost documentation requirements for the Title II portion.			
Background: Ferry County spent \$4,204 of Title III funds on equipment purchases and training for search and rescue, as well as \$15,961 in its Forestry Education program. These are not allowable costs under Title II. In addition, the County spent \$3,517 in Title II funds on personnel costs that were not adequately supported by time and effort documentation.			
Status of Corrective Action: <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid </div>			
Corrective Action Taken: <i>The County is working with the federal agency on the misspent funds and on returning the remaining Title III funds. We did not spend Title III funds in 2013 nor do we anticipate spending any in the future. The Title II funds spent on personnel costs were not required to be paid back by the granting agency as we complied with the grant application.</i>			

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*

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

Board of Commissioners
Ferry County
Republic, 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 Ferry 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 24, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2, which we consider to be significant deficiencies.

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*.

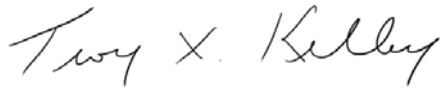
COUNTY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 24, 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

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

Board of Commissioners
Ferry County
Republic, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Ferry 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.

Basis for Qualified Opinion on Crime Victim Assistance

As described in Finding 1 in the accompanying Schedule of Federal Audit Findings and Questioned Costs, the County did not comply with requirements regarding its Crime Victim Assistance grant for allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the program.

Qualified Opinion on Crime Victim Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 its Crime Victim Assistance for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the accompanying Federal Summary for the year ended December 31, 2013.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

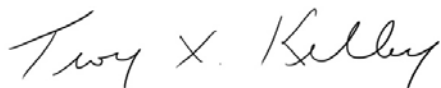
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

County's Response to Findings

The County's response to the internal control over compliance 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.

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.



TROY KELLEY
STATE AUDITOR

September 24, 2014

Independent Auditor's Report on Financial Statements

Ferry County January 1, 2013 through December 31, 2013

Board of Commissioners
Ferry County
Republic, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ferry 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 23.

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, Ferry County has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Ferry 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 Ferry 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

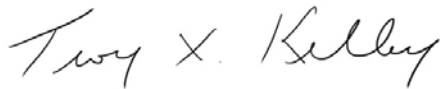
Supplementary and Other Information

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 24, 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.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 24, 2014

Financial Section

Ferry 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 Current Expense	101 County Road	102 Drug Abuse
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,476,052	5,245	934,896	2,301
30880	Beg Fund Bal-Unreserved	3,058,963	2,400,593	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	3,990,623	2,753,943	890,461	0
320	Licenses & Permits	24,153	24,153	0	0
330	Intergovernmental Revenues	6,489,962	1,817,725	3,509,878	0
340	Charges for Goods and Services	1,517,998	536,720	8,687	0
350	Fines & Penalties	123,733	121,716	0	1,425
360	Miscellaneous Revenues	1,864,166	253,366	6,176	2,326
Total Operating Revenues:		14,010,635	5,507,623	4,415,202	3,751
Operating Expenditures					
510	General Government	2,851,828	2,210,591	10,184	0
520	Public Safety	2,259,692	1,565,600	0	4,000
530	Utilities	398,144	0	0	0
540	Transportation	4,315,291	17,217	2,767,901	0
550	Natural and Economic Environment	535,412	162,768	0	0
560	Social Services	390,485	96,462	0	0
570	Culture And Recreation	276,713	138,391	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		11,027,565	4,191,029	2,778,085	4,000
Net Operating Increase (Decrease):		2,983,070	1,316,594	1,637,117	-249
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	41,688	0	25,793	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	396,293	2,002	0	0
Total Nonoperating Revenues:		437,981	2,002	25,793	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	734,312	198	588,441	0
591-593	Debt Service	19,908	11,015	0	0
594-595	Capital Expenditures	2,170,469	455,272	1,454,108	0
597	Transfers-Out	396,299	388,099	6,200	0
Total Nonoperating Expenditures:		3,320,988	854,584	2,048,749	
Increase (Decrease) in Cash and Investments		100,063	464,012	-385,839	-249
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,223,947	5,227	549,058	2,052
50880	End Fund Balance-Unreserved	3,411,131	2,864,623	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		103 Community Services	104 County Fair	105 Merry-go-round	107 Treasurer's O & M
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	14,074	101,614	16,428	36,818
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	120,374	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	15,550	30,306	0	0
340	Charges for Goods and Services	0	83,087	1,644	16,937
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	37,184	22	0
Total Operating Revenues:		135,924	150,577	1,666	16,937
Operating Expenditures					
510	General Government	0	0	0	7,130
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	122,399	919	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			122,399	919	7,130
Net Operating Increase (Decrease):		135,924	28,178	747	9,807
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	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	141,182	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
Total Nonoperating Expenditures:		141,182			
Increase (Decrease) in Cash and Investments		-5,258	28,178	747	9,807
Ending Cash and Investments					
50810	End Fund Bal-Reserved	8,816	129,792	17,175	46,625
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		108 Auditor's O & M	109 Veteran's Relief	110 Enhanced 911	112 Boating Safety
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	89,829	34,503	0	5,810
30880	Beg Fund Bal-Unreserved	0	0	57,651	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	11,722	50,622	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	50,683	16	505,278	23,375
340	Charges for Goods and Services	5,703	0	18,569	0
350	Fines & Penalties	0	0	0	114
360	Miscellaneous Revenues	1,206	46	23	215
Total Operating Revenues:		57,592	11,784	574,492	23,704
Operating Expenditures					
510	General Government	71,901	0	0	0
520	Public Safety	0	0	622,153	17,307
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	4,744	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		71,901	4,744	622,153	17,307
Net Operating Increase (Decrease):		-14,309	7,040	-47,661	6,397
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	9,921	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	73,000	3,411
Total Nonoperating Revenues:		9,921		73,000	3,411
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	-215	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	15,473	0	16,952	3,919
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		15,473		16,737	3,919
Increase (Decrease) in Cash and Investments		-19,861	7,040	8,602	5,889
Ending Cash and Investments					
50810	End Fund Bal-Reserved	69,968	41,543	0	11,699
50880	End Fund Balance-Unreserved	0	0	66,253	0

The accompanying notes are an integral part of this Statement.

BARS Code		114 Court Facilitator	116 Inmate Welfare	117 Title III	118 Affordable Housing For All
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	3,951	19,856	102,054	30,751
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	0	0	36,299	63,851
340	Charges for Goods and Services	905	28,694	0	8,288
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	0	824	106
Total Operating Revenues:		905	28,694	37,123	72,245
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	32,131	18,501	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	87,960
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			32,131	18,501	87,960
Net Operating Increase (Decrease):		905	-3,437	18,622	-15,715
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	18,502	0
Total Nonoperating Revenues:				18,502	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	3,995	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:			3,995		
Increase (Decrease) in Cash and Investments		905	-7,432	37,124	-15,715
Ending Cash and Investments					
50810	End Fund Bal-Reserved	4,856	12,424	139,178	15,036
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		119 Home Security Fund	122 Clerks Collections Fund	123 Domestic Violence Pen Assess	124 Recreation Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	171,297	5,199	2,993	20,854
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	0	843	0	12,197
340	Charges for Goods and Services	40,174	0	35	0
350	Fines & Penalties	0	0	478	0
360	Miscellaneous Revenues	0	0	0	100
Total Operating Revenues:		40,174	843	513	12,297
Operating Expenditures					
510	General Government	0	380	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	13,054
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			380		13,054
Net Operating Increase (Decrease):		40,174	463	513	-757
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	0	6,200
Total Nonoperating Revenues:					6,200
Nonoperating Expenditures					
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	2,000
Total Nonoperating Expenditures:					2,000
Increase (Decrease) in Cash and Investments		40,174	463	513	3,443
Ending Cash and Investments					
50810	End Fund Bal-Reserved	211,471	5,662	3,506	24,297
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		126 Crime Victims	128 Reet Electronic Fund	129 Weed Control	130 Tourism
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	20,862	91,807	27,642	3,839
30880	Beg Fund Bal-Unreserved	0	0	0	241,520
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	28,900
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	26,707	0
340	Charges for Goods and Services	6,245	0	84,466	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	143	87,549	368
Total Operating Revenues:		6,245	143	198,722	29,268
Operating Expenditures					
510	General Government	2,383	5,341	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	194,165	20,717
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:		2,383	5,341	194,165	20,717
Net Operating Increase (Decrease):		3,862	-5,198	4,557	8,551
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	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	5,022	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:				5,022	
Increase (Decrease) in Cash and Investments		3,862	-5,198	-465	8,551
Ending Cash and Investments					
50810	End Fund Bal-Reserved	24,724	86,609	27,177	12,023
50880	End Fund Balance-Unreserved	0	0	0	241,887

The accompanying notes are an integral part of this Statement.

BARS Code		131 Trial Court Improvement	132 Taxsifter	137 Connections	307 Distressed Area Cap
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	37,189	2,823	25,534	352,782
30880	Beg Fund Bal-Unreserved	0	0	106,818	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	92,537
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	10,647	0	312,458	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	1,560	13,353	0
Total Operating Revenues:		10,647	1,560	325,811	92,537
Operating Expenditures					
510	General Government	0	2,453	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	157,762	0
560	Social Services	0	0	201,319	0
570	Culture And Recreation	0	0	1,950	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			2,453	361,031	
Net Operating Increase (Decrease):		10,647	-893	-35,220	92,537
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	0	0
Total Nonoperating Revenues:					
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	1,947	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	9,766	0	10,700	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		9,766		12,647	
Increase (Decrease) in Cash and Investments		881	-893	-47,867	92,537
Ending Cash and Investments					
50810	End Fund Bal-Reserved	38,070	1,930	25,534	445,319
50880	End Fund Balance-Unreserved	0	0	58,951	0

The accompanying notes are an integral part of this Statement.

BARS Code		308 County Capital Improvement	401 Solid Waste	501 Equipment Rental & Revolving	502 Management Info Systems
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	315,101	0	0	0
30880	Beg Fund Bal-Unreserved	0	72,055	137,765	15,055
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	42,064	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	74,149	0	0
340	Charges for Goods and Services	0	316,846	47,097	82,862
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	6,969	0	1,451,605	25
Total Operating Revenues:		49,033	390,995	1,498,702	82,887
Operating Expenditures					
510	General Government	0	0	0	123,046
520	Public Safety	0	0	0	0
530	Utilities	0	398,144	0	0
540	Transportation	0	0	1,530,173	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:			398,144	1,530,173	123,046
Net Operating Increase (Decrease):		49,033	-7,149	-31,471	-40,159
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	5,974	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	19,000	0	90,000
Total Nonoperating Revenues:			19,000	5,974	90,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	2,886	0	-127
591-593	Debt Service	8,893	0	0	0
594-595	Capital Expenditures	91,065	40,150	59,192	4,855
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		99,958	43,036	59,192	4,728
Increase (Decrease) in Cash and Investments		-50,925	-31,185	-84,689	45,113
Ending Cash and Investments					
50810	End Fund Bal-Reserved	264,176	0	0	0
50880	End Fund Balance-Unreserved	0	40,870	53,075	60,168

The accompanying notes are an integral part of this Statement.

BARS Code		503 Insurance Fund	504 Large Format Copier
Beginning Cash and Investments			
30810	Beg Fund Bal-Reserved	0	0
30880	Beg Fund Bal-Unreserved	26,311	1,195
38800/58800	Prior Period Adjustments, net	0	0
Operating Revenues			
310	Taxes	0	0
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	0	0
340	Charges for Goods and Services	230,957	82
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	1,000	0
Total Operating Revenues:		231,957	82
Operating Expenditures			
510	General Government	417,589	830
520	Public Safety	0	0
530	Utilities	0	0
540	Transportation	0	0
550	Natural and Economic Environment	0	0
560	Social Services	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:		417,589	830
Net Operating Increase (Decrease):		-185,632	-748
Nonoperating Revenues			
370, 380, 395, 398	Other Financing Sources	0	0
391-393	Debt Proceeds	0	0
397	Transfers-In	183,950	228
Total Nonoperating Revenues:		183,950	228
Nonoperating Expenditures			
580, 596, 599	Other Financing Uses	0	0
591-593	Debt Service	0	0
594-595	Capital Expenditures	0	0
597	Transfers-Out	0	0
Total Nonoperating Expenditures:			
Increase (Decrease) in Cash and Investments		-1,682	-520
Ending Cash and Investments			
50810	End Fund Bal-Reserved	0	0
50880	End Fund Balance-Unreserved	24,629	675

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	646 Republic General	647 City Of Republic Ambulance Services	651 NCR Library
308	Beginning Cash and Investments	682,882	917	0	1,838
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	3,022,224	158,636	9,169	309,639
380-390	Other Increases and Financing Sources	2,510,397	9,287	0	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	5,403,997	165,648	9,169	309,170
	Increase (Decrease) in Cash and Investments	128,624	2,275	0	469
508	Ending Cash and Investments	811,506	3,192	0	2,307

BARS Code		678 State Remittance	680 Advance Tax	681 Deed Excise Tax	682 Diverted Road Tax
308	Beginning Cash and Investments	9,823	1207	0	0
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	0	13,870	555,571
380-390	Other Increases and Financing Sources	140,009	-1,191	222,385	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	135,182	0	236,255	555,571
	Increase (Decrease) in Cash and Investments	4,827	-1,191	0	0
508	Ending Cash and Investments	14,650	16	0	0

BARS Code		686 Treasurers Trust	688 Timber Excise	689 Fire Patrol	692 State School
308	Beginning Cash and Investments	487	28002	1154	9,740
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	257,942	163,725	1,479,064
380-390	Other Increases and Financing Sources	541	28,002	0	0
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	0	289,135	163,335	1,477,967
	Increase (Decrease) in Cash and Investments	541	-3,191	390	1097
508	Ending Cash and Investments	1,028	24,811	1544	10,837

BARS Code		693 P.u.d. Excise Tax	696 Foreclosure Surplus	697 Jail Trust Fund	698 Superior Court Trust
308	Beginning Cash and Investments	0	0	11460	603,209
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	74,608	0	0	0
380-390	Other Increases and Financing Sources	0	57,632	67604	1805912
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	74,608	19,645	65,585	1,710,838
	Increase (Decrease) in Cash and Investments	0	37,987	2019	95074
508	Ending Cash and Investments	0	37,987	13479	698,283

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		699 District Court Trust
308	Beginning Cash and Investments	15,045
388 and 588	Prior Period Adjustments, net	0
310-360	Revenues	0
380-390	Other Increases and Financing Sources	180,216
510-570	Expenditures	0
580-590	Other Decreases and Financing Uses	191,889
Increase (Decrease) in Cash and Investments		-11,673
508	Ending Cash and Investments	3,372

The accompanying notes are an integral part of this Statement

FERRY COUNTY WASHINGTON

NOTES TO FINANCIAL STATEMENTS JANUARY 1, 2013 TO DECEMBER 31, 2013

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Ferry 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.

Ferry County, Washington was incorporated on February 21, 1899 and operates under the laws of the state of Washington applicable to a seventh class county with a commissioner form of government. Ferry County is a general purpose government and provides public safety, road improvements, judicial administration, health and social services, and general administration services. In addition the county owns and operates an airport and owns a fairground. Ferry County uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of Ferry 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 (001)

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.

Special Revenue Funds (100 Series)

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

Debt Service Funds (200 Series)

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.

Capital Projects Funds (300 Series)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400 Series)

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

Internal Service Funds (500 Series)

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.

Agency Funds (600 Series)

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 recognizes expenditures paid during twenty days after the close of the calendar year for claims incurred during the previous period for County Road and Equipment Rental and Revolving (E R & R) funds only.

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 that require one. These budgets are adopted at the fund level (except for continuing grant budgets which are for information only as they can only expend the amount they receive.). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for general, special revenue, and proprietary funds lapse at year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	6,012,602.85	5,307,057.75	705,545.10
Law Library	17,600.00	17,185.52	414.48
Cumulative Reserve	373,749.00		373,749.00
Fair Grounds Management	63,300.00	58,846.14	4,453.86
Sheriff's Uniform/Clothing	9,880.00	6,688.83	3,191.17

Sheriff's Clothing Revolving	515		515
Airport	23,792.24	17,217.44	6,574.80
Jail Bond	9.48	9.48	
Courthouse Building	455.91	455.91	
Grant Fund	5,245.35	18.58	5,226.77
Conservation	530,355.00		530,355.00
Total 001 - Current Expense	7,037,504.83	5,407,479.65	1,630,025.18
101 - County Road			
County Road	6,675,454.00	4,820,633	1,854,821.00
Trail Reserve	6,200.00	6,200	
Total 101 - County Road	6,681,654.00	4,826,833	1,854,821.00
102 - Drug Abuse	29,000.00	4,000.00	25,000.00
103 - Community Services	148,165.00	141,182.12	6,982.88
104 - County Fair	131,181.30	122,398.59	8,782.71
105 - Merry-go-round	17,750.00	918.7	16,831.30
107 - Treasurer's O & M	7,129.80	7,129.80	
108 - Auditor's O & M	89,337.11	87,373.94	1,963.17
109 - Veteran's Relief	15,537.81	4,744.00	10,793.81
110 - Enhanced 911	671,011.73	638,890.32	32,121.41
112 - Boating Safety	23,633.05	21,225.68	2,407.37
114 - Court Facilitator	2,600.00		2,600.00
116 - Inmate Welfare	50,000.00	36,126.07	13,873.93
117 - Title III	153,352.32	18,501.84	134,850.48
118 - Affordable Housing For All	159,118.00	87,960.01	71,157.99
119 - Home Security Fund	35,000.00		35,000.00
122 - Clerks Collections Fund	5,256.70	380.45	4,876.25
124 - Recreation Fund	22,441.00	15,053.32	7,387.68
126 - Crime Victims	4,249.00	2,383.81	1,865.19
128 - Reet Electronic Fund	8,100.00	5,341.39	2,758.61
129 - Weed Control	229,300.00	199,186.10	30,113.90
130 - Tourism	246,488.00	20,716.22	225,771.78
131 - Trial Court Improvement	26,000.00	9,765.99	16,234.01
132 - Taxsifter	2,500.00	2,452.97	47.03

137 - Connections			
Connections Shltr Rep Reserve	2,000.00		2,000.00
Connections Transportation	26,200.00	22,870.25	3,329.75
Connections	437,461.12	350,807.27	86,653.85
Total 137 - Connections	465,661.12	373,677.52	91,983.60
307 - Distressed Area Cap	79,000.00		79,000.00
308 - County Capital Improvement	147,873.00	99,957.50	47,915.50
401 - Solid Waste	438,413.46	429,369.79	9,043.67
402 - Landfill Post Closure	16,897.00	11,809.08	5,087.92
501 - Equipment Rental & Revolving	1,846,844.00	1,589,365.61	257,478.39
502 - Management Info Systems	144,363.00	127,773.93	16,589.07
503 - Insurance Fund	431,325.44	417,590.14	13,735.30
504 - Large Format Copier	1,500.00	830.38	669.62

The County Commissioners authorize any revisions between departments within any fund, revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment.

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 general (current expense) fund when allowed otherwise it is prorated to the various funds.

E. Deposits

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

F. Investments See Note 3

G. Capital Assets

Capital assets are long lived assets with an initial individual cost of more than \$500.00. The capital assets of the county are recorded as expenditures when purchased.

I. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may be accumulated up to 720 hours except for those under the bargaining unit and they can accumulate up to 840 hours. Sick leave is not payable upon resignation or death except for those under the bargaining unit. A member of the bargaining unit who terminates after a minimum of 10 years employment will receive a lump sum payment of 25% of any accrued but unused sick leave up to a maximum of 210 hours, after 15 years 33% up to 277 hours and after 20 years 50% up to 420 hours. An employee not under the bargaining unit who retires after 20 years of employment may receive a lump sum payment of 25% of unused sick leave up to a maximum of 180 hours.

J. Long-Term Debt See Note 6.

K. Other Financing Sources Or Uses

The county's "Other Financing Sources or Uses" consist of Transfers In and Out between funds, Proceeds of long-term debt, interfund loans, disposition of capital assets, and corrections.

L. Risk Management

The county maintains insurance against most normal hazards. In the opinion of management, the county's insurance policies are adequate to pay all known or pending claims. The county is a member of the Washington Rural Counties Insurance Pool. (WRCIP) which was formed on September 1, 1998. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring and/or firing or contracting for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act.

The Washington Rural Counties Insurance Pool is a property and liability risk and insurance pooling program for small counties throughout the state of Washington. The pool is governed by a Board of Directors elected by the membership. The Board of Directors works with the pool administrator on overseeing the program and makes decisions regarding the future direction of the pool. The pool hires a third party administrator to provide pool services. The board has retained the services of Canfield and Associates of Ephrata, WA to do this. Their mailing address is 451 Diamond Dr. Ephrata, WA 98823.

The basic concept of the risk pool is to collectively self-insure claims and exposures that are manageable and predictable. Excess insurance coverage is purchased to protect the pool members against catastrophic claims. Aggregate stop loss coverage is purchased to protect the pool assets against an abnormal frequency of claims in any one year.

The pool will fully fund the aggregate stop loss coverage each year to assure each member's exposure will be capped at the annual member assessment amount. Funds held in reserve by the pool and not used to pay claims or administrative expenses will be owned by the pool members and will be used for their ultimate benefit.

Each member County signs an interlocal agreement to join WRCIP. Annual assessments will be paid by each member. All of the pool services, including the payment of claims, will be included in the assessment amount. For more information on policy amounts, limits, and deductibles you may contact the risk manager.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the County. The Treasurer's O & M Fund isn't required to have a budget per R.C.W. 82.56.020(8). The Jail Bond Fund isn't required to have a budget per the BARS manual Vol 1 Pt 2 Ch 1 Page 6.

NOTE 3 - INVESTMENTS

The county's investments are insured, registered or held by the county or its agent in the county's name. The investments listed below include the junior districts and schools as well as the county.

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

Type of Investment	County's own Investments & Surplus	Investments held by the County as an agent for Other local governments.	Total
L.G.I.P.	<u>\$ 6,553,222</u>	<u>\$ 3,987,801</u>	<u>\$ 10,541,023</u>
Total	<u>\$ 6,553,222</u>	<u>\$ 3,987,801</u>	<u>\$ 10,541,023</u>

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 the year 2012 for collection in 2013 was as follows:

	<u>Levy Rate</u>	<u>Assessed Value</u>	<u>Tax</u>
Current Expense	1.758000	638,065,904	\$1,121,720
Mental Health	.025000	638,065,904	15,952
Veterans Relief	.017000	638,065,904	10,847
County Road	1.394920	591,487,111	825,077
Diverted Road	.854951	591,487,111	505,692
Conservation Futures	.062500	638,065,904	39,879

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 government services. The county's road levy for 2013 was \$2.25 per \$1,000 on an assessed valuation of \$591,487,111 for a total road levy of \$1,330,769.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 1/1/2013	New Loans	Repayments	Balance 12/31/2013
CE	Auditor's O & M	27,541		9,921	17,620
Connections	Current Expense	\$ 64,000		4,141*	\$59,859
TOTALS		\$91,541		14,062	\$77,479

*The County Commissioners forgave \$4,141 of the amount owed because they understood that the DV Special Grant had been extended but found out after we had spent \$4,141 that it had not. As Connections is all grant funded they have no way of paying that back. It was too late to bill another grant.

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities provides a listing of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for 2013. The debt service requirements, including interest, are as follows:

	General Obligation <u>Bonds</u>	Revenue <u>Bonds</u>	General. Obligation <u>Other</u>	Total <u>Debt</u>
2014	\$ 15,399	\$	13,500	\$ 28,899
2015	8,987		13,500	22,487
2016	9,065		13,500	22,565
2017	0		13,500	13,500
2018	0		13,500	13,500
2019-2023	0		67,500	67,500**
2024-2028	0		0	0
2029-2033			85,500	85,500*
TOTALS	\$ 33,451	\$	\$220,500	\$ 253,951

*The Department of Commerce shows the County will repay this in 2033. The County disagrees unless the building is sold or the use changes per the Deed of Trust. The County does not intend to sell it or change the use.

** The landfill was closed in the 90's before the new regulations came so the county doesn't prepare Dept of Ecology reports referred to in the BARS manual. The county didn't realize it needed to estimate the cost of the monitoring on the Schedule 9. Therefore it hasn't been included previously. The closure costs are an estimate based on prior history of expenditures.

NOTE 7 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in PERS, PSERS or LEOFF retirement plans 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 – COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES

The County leases copy machines on 60 month contracts. These contracts include maintenance and copy charges so the amounts vary depending on the usage. We have approximately 10 machines between the various departments. The contracts expire at various times however we anticipate that they will be renewed as they do so. We pay approximately \$1960.00 per month. In 2013 we spent a total of \$23,142 on these contracts.

NOTE 9 – CONTINGENCIES AND LITIGATIONS

The Joint City of Republic-Ferry County Housing Authority (hereafter referred to as Housing Authority) was created by the City of Republic and Ferry County in 1991. The financial records were maintained by

Ferry County. In 1999 the Housing Authority separated from the County and established their own financial records. In 2014 it came to the attention of Ferry County and the City of Republic that the Housing Authority was out of compliance with their federal granting agencies as well as the State of Washington. The City of Republic and Ferry County appoint the board members of the Housing Authority and therefore are still responsible for their actions. As a result the City of Republic and Ferry County may be held liable for the Housing Authority's contractual obligations. As far as we know at this point that amount is at least \$300,000.00. The City of Republic and Ferry County are working together to bring the Housing Authority back into compliance in hopes of mitigating some of the liability and helping the Housing Authority recover.

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							
	259.11	COMPENSATED ABSENCES		326,735	1,460		328,195
	263.81	MARTIN HALL	12/1/2016	32,452		7,552	24,900
	263.81	DSHS WORKING ADV	6/30/2014	25,534			25,534
	263.81	DCD HOMELESS SHELTER	9/30/2033	85,500			85,500
	263.51	PW Graders	3/21/2014	0	19,200	12,800	6,400
	263.51	Copy Machines	12/31/2017	0	117,222	23,142	94,080
	263.21	Landfill	12/31/2023	146,809	0	11,809	135,000
		Total General Obligations:		617,030	137,882	55,303	699,609
Revenue Obligations							
	259.12	COMPENSATED ABSENCES		10,139	24		10,163
		Total Revenue Obligations:		10,139	24		10,163
		Total Liabilities:		627,169	137,906	55,303	709,772

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	
Forest Service, Department Of Agriculture/WA STATE TREASURER	Schools and Roads - Grants to States	10.665		514,240		514,240	1,2
Forest Service, Department Of Agriculture/	Schools and Roads - Grants to States	10.665	CRP #1311		61,926	61,926	1,2
Forest Service, Department Of Agriculture/	Schools and Roads - Grants to States	10.665	NFS 12-DG-11062100-007		24,086	24,086	1,2
Total CFDA 10.665				514,240	86,012	600,253	
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	11-64100-020	213,734		213,734	1,2,4
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA DEPARTMENT OF COMMERCE	Emergency Solutions Grant Program	14.231	13-46107-007	1,815		1,815	1,2
Office For Victims Of Crime, Department Of Justice/WA DSHS	Crime Victim Assistance	16.575	1263-53255	23,074		23,074	1,2
Office For Victims Of Crime, Department Of Justice/WA DSHS	Crime Victim Assistance	16.575	1363-79277	19,498		19,498	1,2

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

Office For Victims Of Crime, Department Of Justice/WA DEPARTMENT OF COMMERCE	Crime Victim Assistance	16.575	14-31110-126	14,736		14,736	1,2
Office For Victims Of Crime, Department Of Justice/WA DEPARTMENT OF COMMERCE	Crime Victim Assistance	16.575	S13-31119-016	20,320		20,320	1,2
Office For Victims Of Crime, Department Of Justice/WA DEPARTMENT OF COMMERCE	Crime Victim Assistance	16.575	S14-31119-016	22,665		22,665	1,2
Total CFDA 16.575				100,292	0	100,292	
Violence Against Women Office, Department Of Justice/WA Dept Of Commerce	Violence Against Women Formula Grants	16.588	F11-31103-006	412		412	1,2
Violence Against Women Office, Department Of Justice/WA DEPARTMENT OF COMMERCE	Violence Against Women Formula Grants	16.588	F12-31103-006	15,235		15,235	1,2
Violence Against Women Office, Department Of Justice/WA DEPARTMENT OF COMMERCE	Violence Against Women Formula Grants	16.588	F12-31103-007	18,381		18,381	1,2
Violence Against Women Office, Department Of Justice/DEPARTMENT OF COMMERCE	Violence Against Women Formula Grants	16.588	S13-31110-126	12,130		12,130	1,2
Total CFDA 16.588				46,158	0	46,158	
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	CRP #114	138,142		138,142	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	CRP #121	642,992		642,992	1,2

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

Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	CRP #1303	1,709		1,709	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	CRP #1304	2,240		2,240	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	CRP #1305	1,024		1,024	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA DOT	Highway Planning and Construction	20.205	CRP #1309	672		672	1,2
Total CFDA 20.205				786,777	0	786,777	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	State and Community Highway Safety	20.600		1,822		1,822	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WASPC	State and Community Highway Safety	20.600		3,800		3,800	1,2
Total CFDA 20.600				5,622	0	5,622	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		418		418	1,2
U.s. Election Assistance Commission/WA Secretary Of State	Help America Vote Act Requirements Payments	90.401	G-2835	11,665		11,665	1,2

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

U. S. Election Assistance Commission/WA Secretary Of State	Help America Vote Act Requirements Payments	90.401	G-2835	2,400		2,400	1,2
		Total CFDA 90.401		14,064	0	14,064	
Centers For Disease Control And Prevention, Department Of Health And Human Services/DEPARTMENT OF COMMERCE	Injury Prevention and Control Research and State and Community Based Programs	93.136	S14-31110-126	3,744		3,744	1,2
Administration For Children And Families, Department Of Health And Human Services/WA DSHS	Child Support Enforcement	93.563	2110-80332	59,621		59,621	1,2,3
Administration For Children And Families, Department Of Health And Human Services/WA DSHS	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	1363-79277	12,999		12,999	1,2
Department Of Homeland Security/WA ST PARKS AND RECREATION COMMISSION	Boating Safety Financial Assistance	97.012	911-401	17,742		17,742	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4083-DR-WA	140,736		140,736	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067		13,178		13,178	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067	E11-123	33,275		33,275	1,2

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

Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067	E11-292	43,320		43,320	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067	E12-226	17,460		17,460	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067	E13-139	8,576		8,576	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067	SDEM 1114	3,170		3,170	1,2
Department Of Homeland Security/WA MILITARY DEPARTMENT	Homeland Security Grant Program	97.067	SDEM1214/FFY1 2	3,047		3,047	1,2
			Total CFDA 97.067	122,026	0	122,026	
			Total Federal Awards Expended:	2,039,988	86,012	2,126,001	

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

FERRY COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the financial statements. The county uses the Budgeting, Accounting, and Reporting System (BARS) prescribed by the State Auditor. (See Accompanying Notes to the Financial Statements.)

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal and/or state portion of the program costs. Actual program costs, including the county's portion, may be more than shown.

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$6753 claimed as an indirect cost recovery using an approved indirect cost rate of 18.81%.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

These funds are passed through to the Curlew Water Sewer District #1.

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

Ferry 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 Ferry County.

Finding ref number: 1	Finding caption: The County did not have adequate internal controls to ensure compliance with allowable cost requirements.
Name, address, and telephone of auditee contact person: Joyce Schertenleib Ferry County Auditor's Office 350 E. Delaware Avenue No. 2 Republic, WA 99166 (509) 775-5225 Ext 1138	
Corrective action the auditee plans to take in response to the finding: <i>A cost allocation plan was completed in the fall of 2013 when the new Director became aware of the requirement.</i>	
Anticipated date to complete the corrective action: Corrected in 2013.	

Finding ref number: 2	Finding caption: The County's internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting.
Name, address, and telephone of auditee contact person: Joyce Schertenleib Ferry County Auditor's Office 350 E. Delaware Avenue No. 2 Republic, WA 99166 (509) 775-5225 Ext 1138	
Corrective action the auditee plans to take in response to the finding: <i>The County disagrees with this finding for the most part because the financials accurately reflected the County's fund totals. There was a misunderstanding with prior state examiners on how to reflect the amount of funds to be shown as reserved and unreserved and which funds needed to be rolled up. Inadvertently the trust funds didn't get put on the C5 originally but they were on the schedule of cash activity. County staff will get additional training in 2015 to try to improve the review process so they can catch mistakes. All known errors were corrected prior to this response.</i>	
Anticipated date to complete the corrective action: Previously corrected.	

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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov