



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

Pend Oreille County

For the period January 1, 2015 through December 31, 2015

Published September 26, 2016

Report No. 1017560





Washington State Auditor's Office

September 26, 2016

Board of Commissioners
Pend Oreille County
Newport, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Pend Oreille 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
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pend Oreille County **January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Pend Oreille County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the County’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the 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 its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.665	Schools and Roads - Grants to States

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Pend Oreille County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Pend Oreille County
Newport, 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 Pend Oreille County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 13, 2016.

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 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

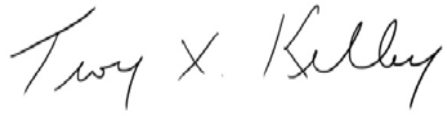
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 13, 2016

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

**Pend Oreille County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Pend Oreille County
Newport, Washington

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

We have audited the compliance of Pend Oreille County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2015.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

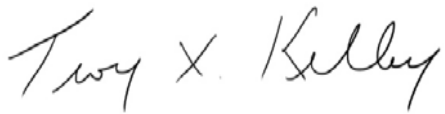
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

September 13, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pend Oreille County **January 1, 2015 through December 31, 2015**

Board of Commissioners
Pend Oreille County
Newport, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pend Oreille County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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, Pend Oreille County has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Pend Oreille County, for the year ended December 31, 2015, 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 Pend Oreille County, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

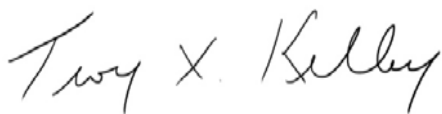
Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The 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 13, 2016 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

OLYMPIA, WA

September 13, 2016

FINANCIAL SECTION

Pend Oreille County January 1, 2015 through December 31, 2015

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 General	101 Arts & Tourism
Beginning Cash and Investments				
30810	Reserved	4,749,019	1,011,767	40,870
30880	Unreserved	3,499,747	1,733,683	-
388 & 588	Prior Period Adjustments, Net	(275)	(275)	-
Operating Revenues				
310	Taxes	5,814,035	3,322,033	41,283
320	Licenses and Permits	161,343	161,343	-
330	Intergovernmental Revenues	10,429,766	4,570,150	-
340	Charges for Goods and Services	5,284,119	1,198,865	-
350	Fines and Penalties	214,392	214,392	-
360	Miscellaneous Revenues	484,622	279,265	-
Total Operating Revenues:		22,388,277	9,746,048	41,283
Operating Expenditures				
510	General Government	5,907,328	4,798,409	-
520	Public Safety	4,493,017	3,822,590	-
530	Utilities	890,164	-	-
540	Transportation	5,065,207	-	-
550	Natural and Economic Environment	798,829	620,033	39,928
560	Social Services	2,371,044	228,460	-
570	Culture and Recreation	336,883	85,113	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		19,862,472	9,554,605	39,928
Net Operating Increase (Decrease):		2,525,805	191,443	1,355
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	460,814	449	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	150,020	100,000	-
Total Nonoperating Revenues:		610,834	100,449	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	220,325	5,228	-
591-593	Debt Service	35,943	-	-
594-595	Capital Expenditures	3,408,887	528,406	-
597	Transfers-Out	150,020	-	-
Total Nonoperating Expenditures:		3,815,175	533,634	-
Net Increase (Decrease) in Cash and Investments:		(678,536)	(241,742)	1,355
Ending Cash and Investments				
5081000	Reserved	4,409,117	1,025,999	42,225
5088000	Unreserved	3,160,838	1,477,434	-
Total Ending Cash and Investments		7,569,955	2,503,433	42,225

The accompanying notes are an integral part of this statement.

102 Counseling	103 Crime Victims	104 Fair	105 Law Library	110 Park	111 Paths & Trails
1,020,346	14,339	68,077	2,417	103,872	116,039
-	-	-	-	-	-
-	-	-	-	-	-
28,291	-	-	-	-	-
-	-	-	-	-	-
1,911,622	-	34,808	-	-	8,268
134,409	7,319	34,468	3,740	257	-
-	-	-	-	-	-
16,595	-	29,977	-	4,937	-
2,090,917	7,319	99,253	3,740	5,194	8,268
-	5,220	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,996,982	-	-	-	-	-
-	-	100,203	2,976	144,885	-
-	-	-	-	-	-
1,996,982	5,220	100,203	2,976	144,885	-
93,935	2,099	(950)	764	(139,691)	8,268
22,404	-	8,713	-	156,690	-
-	-	-	-	-	-
-	-	-	-	-	-
22,404	-	8,713	-	156,690	-
47,357	-	5,738	-	17	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
47,357	-	5,738	-	17	-
68,982	2,099	2,025	764	16,982	8,268
1,089,328	16,438	70,102	3,181	120,854	124,307
-	-	-	-	-	-
1,089,328	16,438	70,102	3,181	120,854	124,307

The accompanying notes are an integral part of this statement.

112 Road	114 Veteran's Assistance	115 Real Estate & Property Tax Admin	117 Treasurer's REET tech	118 Treasurer's O&M	119 Auditor's O&M
1,405,410	50,160	9,442	49,980	23,727	99,857
-	-	-	-	-	-
-	-	-	-	-	-
2,023,789	12,788	-	-	-	-
-	-	-	-	-	-
3,121,356	1	8,972	-	-	41,222
240,665	-	2,160	-	3,586	8,753
-	-	-	-	-	-
3,982	-	33	40	139	-
5,389,792	12,789	11,165	40	3,725	49,975
304,622	-	-	-	4,974	43,968
-	-	-	-	-	-
-	-	-	-	-	-
4,153,235	-	-	-	-	-
-	-	-	-	-	-
-	7,484	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,457,857	7,484	-	-	4,974	43,968
931,935	5,305	11,165	40	(1,249)	6,007
12,408	-	-	-	-	-
-	-	-	-	-	-
-	-	50,020	-	-	-
12,408	-	50,020	-	-	-
5,809	-	-	-	-	-
-	-	-	-	-	-
1,157,679	-	-	-	-	-
100,000	-	-	50,020	-	-
1,263,488	-	-	50,020	-	-
(319,145)	5,305	61,185	(49,980)	(1,249)	6,007
1,086,265	55,465	70,627	-	22,478	105,864
-	-	-	-	-	-
1,086,265	55,465	70,627	-	22,478	105,864

The accompanying notes are an integral part of this statement.

123 Trial Court Improvement	126 Drug Enforcement	127 Emergency 911 communication	128 Extension Education	130 Growth Management	131 Low Income Housing
76,375	1,823	1,463	13,711	-	13,548
-	-	-	-	8,164	-
-	-	-	-	-	-
-	-	105,781	-	-	-
-	-	-	-	-	-
18,866	-	663,402	-	5,554	-
-	-	-	955	-	14,564
-	-	-	-	-	-
-	60,120	1,156	375	-	-
18,866	60,120	770,339	1,330	5,554	14,564
9,837	-	-	-	-	-
-	-	670,427	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,913	-
-	-	-	-	-	13,999
-	-	-	3,706	-	-
-	-	-	-	-	-
9,837	-	670,427	3,706	5,913	13,999
9,029	60,120	99,912	(2,376)	(359)	565
-	6,673	28	5	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6,673	28	5	-	-
-	6,673	28	2	-	-
-	-	-	-	-	-
-	-	19,076	-	-	-
-	-	-	-	-	-
-	6,673	19,104	2	-	-
9,029	60,120	80,836	(2,373)	(359)	565
85,404	61,943	22,299	11,338	-	14,113
-	-	60,000	-	7,805	-
85,404	61,943	82,299	11,338	7,805	14,113

The accompanying notes are an integral part of this statement.

132 Homeless Program	134 Public Facilities	201 Bond fund	301 Capital Projects	463 Solid Waste	501 Risk Management
49,624	456,381	-	119,791	-	-
-	-	-	-	127,997	133,687
-	-	-	-	-	-
-	148,048	-	132,022	-	-
-	-	-	-	-	-
-	-	-	-	45,545	-
77,619	50,000	-	-	799,080	361,957
-	-	-	-	-	-
28,500	-	-	3,721	54,628	385
106,119	198,048	-	135,743	899,253	362,342
-	-	-	10,645	-	320,112
-	-	-	-	-	-
-	-	-	-	890,164	-
-	-	-	-	-	-
-	129,047	-	-	3,908	-
124,119	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
124,119	129,047	-	10,645	894,072	320,112
(18,000)	69,001	-	125,098	5,181	42,230
-	3,000	35,943	-	109,536	10,428
-	-	-	-	-	-
-	-	-	-	-	-
-	3,000	35,943	-	109,536	10,428
-	-	35,943	-	17,468	279
-	-	-	35,943	-	-
-	335,483	-	52,582	93,505	-
-	-	-	-	-	-
-	335,483	35,943	88,525	110,973	279
(18,000)	(263,482)	-	36,573	3,744	52,379
31,624	192,899	-	156,364	-	-
-	-	-	-	131,741	186,066
31,624	192,899	-	156,364	131,741	186,066

The accompanying notes are an integral part of this statement.

502 ER&R	504 Unemployment	505 Information Technology
-	-	-
1,071,517	206,883	217,816
-	-	-
-	-	-
-	-	-
1,719,351	17,704	608,667
-	-	-
769	-	-
<u>1,720,120</u>	<u>17,704</u>	<u>608,667</u>
-	84	409,457
-	-	-
-	-	-
911,972	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>911,972</u>	<u>84</u>	<u>409,457</u>
<u>808,148</u>	<u>17,620</u>	<u>199,210</u>
93,866	-	671
-	-	-
-	-	-
<u>93,866</u>	<u>-</u>	<u>671</u>
95,164	-	619
-	-	-
940,460	-	281,696
-	-	-
<u>1,035,624</u>	<u>-</u>	<u>282,315</u>
(133,610)	17,620	(82,434)
-	-	-
937,907	224,503	135,382
<u>937,907</u>	<u>224,503</u>	<u>135,382</u>

The accompanying notes are an integral part of this statement.

Pend Oreille County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	621 Auditor DOL	622 CSA	623 District Ct Checking
308	Beginning Cash and Investments	289,810	8,645	2,000	14,344
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	52,338	-	-	-
380-390	Other Increases and Financing Sources	6,546,582	1,433,502	5	470,800
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	6,528,972	1,433,933	5	449,763
Net Increase (Decrease) in Cash and Investments:		69,948	(431)	-	21,037
508	Ending Cash and Investments	359,758	8,214	2,000	35,381

		624 Sheriff Correction-Jail	625 Superior Ct Checking/Trust	632 Advance Tax	675 Sheriff's Trust
308	Beginning Cash and Investments	51,566	24,019	178	1,754
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	89,669	192,958	(72)	22,189
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	88,490	200,263	-	18,485
Net Increase (Decrease) in Cash and Investments:		1,179	(7,305)	(72)	3,704
508	Ending Cash and Investments	52,745	16,714	106	5,458

		679 State	682 Tax Foreclosure Suspense	683 Timber Tax Reserve	685 Treasurer's Suspense
308	Beginning Cash and Investments	52,276	77,560	53,019	4,449
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	52,338	-
380-390	Other Increases and Financing Sources	4,348,986	(7,006)	-	(4,449)
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	4,338,033	-	-	-
Net Increase (Decrease) in Cash and Investments:		10,953	(7,006)	52,338	(4,449)
508	Ending Cash and Investments	63,229	70,554	105,357	-

The accompanying notes are an integral part of this statement.

PEND OREILLE COUNTY
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDING 12/31/2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pend Oreille County was incorporated on March 1, 1911 and operates under the laws of the state of Washington applicable to a sixth class county. The county is a general purpose local government and provides public safety, road maintenance and improvement, judicial administration, health and social services and general administrative services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General 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 (100-199)

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

Debt Service Funds (200-299)

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 (300-399)

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 (400-499)

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

Internal Service Funds (500-599)

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.

Private Purpose Trust Funds (621-630)

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

Agency Funds (631-699)

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

B. Basis of Accounting and Measurement Focus

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

C. 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 same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

<i>Fund/Department</i>	<i>Appropriated Amounts</i>	<i>Supplemental Appropriation</i>	<i>Actual Expenditures</i>	<i>Variance</i>
GENERAL FUND				
001-000-000	\$ 1,085,830	\$ 15,000	\$ 1,098,380	\$ 2,450
001-000-060	\$ 285,247		\$ 265,935	\$ 19,312
001-000-090	\$ 366,364		\$ 349,668	\$ 16,696
001-000-100	\$ 4,620		\$ 1,840	\$ 2,780
001-000-120	\$ 5,100		\$ 3,514	\$ 1,586
001-000-150	\$ 248,983		\$ 247,149	\$ 1,834
001-000-180	\$ 325,836	\$ 5,000	\$ 327,319	\$ 3,517
001-000-190	\$ 627,613		\$ 255,605	\$ 372,008
001-000-200	\$ 30,450	\$ 5,000	\$ 34,641	\$ 809
001-000-210	\$ 517,680		\$ 436,264	\$ 81,416
001-000-240	\$ 537,024		\$ 526,537	\$ 10,487
001-000-285	\$ 116,078		\$ 96,907	\$ 19,171
001-000-300	\$ 223,250		\$ 197,280	\$ 25,970
001-000-330	\$ 261,800		\$ 244,646	\$ 17,154

001-000-350	\$ 91,519		\$ 85,114	\$ 6,405
001-000-380	\$ 65,000		\$ 51,096	\$ 13,904
001-000-390	\$ 44,349	\$ 270,000	\$ 312,266	\$ 2,083
001-000-420	\$ 1,028,963		\$ 846,636	\$ 182,327
001-000-450	\$ 195,896	\$ 5,000	\$ 196,827	\$ 4,069
001-000-455	\$ 25,790		\$ 20,380	\$ 5,410
001-000-475	\$ 247,779	\$ 62,000	\$ 308,028	\$ 1,751
001-000-480	\$ 66,441	\$ 5,000	\$ 67,108	\$ 4,333
001-000-510	\$ 304,791		\$ 300,129	\$ 4,662
001-000-520	\$ 114,528		\$ 108,434	\$ 6,094
001-000-540	\$ 862,810		\$ 775,929	\$ 86,881
001-000-600	\$ 2,150,916	\$ 10,000	\$ 2,152,206	\$ 8,710
001-000-660	\$ 359,108		\$ 355,049	\$ 4,059
001-000-690	\$ 310,670		\$ 304,027	\$ 6,643
Total General Fund	\$ 10,504,435	\$ 377,000	\$ 9,968,914	\$ 912,521
101-000-000	\$ 45,000		\$ 39,927	\$ 5,073
102-000-000	\$ 1,977,089	\$ 100,000	\$ 2,044,338	\$ 32,751
103-000-000	\$ 5,262	\$	\$ 5,220	\$ 42
104-000-000	\$ 102,250	\$ 5,000	\$ 105,941	\$ 1,309
105-000-000	\$ 4,100	\$ -	\$ 2,976	\$ 1,124
110-000-000	\$ 84,786	\$ 61,000	\$ 144,903	\$ 883
111-000-000	\$ 130,000	\$	\$ 0	\$ 130,000
112-000-000	\$ 8,754,667	\$	\$ 5,859,331	\$ 2,895,336
112-000-010	-	\$ 137,989	\$ 137,989	\$ 0
114-000-000	\$ 16,500		\$ 7,483	\$ 9,017
115-000-000	\$ 7,000	\$ -	\$ 0	\$ 7,000
116-000-000	\$ 6,000	\$ 150,000	\$ 148,892	\$ 7,108
117-000-000	\$ 19,520	\$ 30,520	\$ 50,020	\$ 20
118-000-000	\$ 20,900	\$	\$ 4,974	\$ 15,926
119-000-000	\$ 65,198	\$	\$ 43,969	\$ 21,229
122-000-000	\$ 0	\$ 4,681	\$ 4,681	\$ 0
123-000-000	\$ 24,000	\$ -	\$ 9,837	\$ 14,163
126-000-000	\$ 0	\$ 6,673	\$ 6,673	\$ 0
127-000-000	\$ 691,799	\$ 20,000	\$ 689,531	\$ 22,268
128-000-000	\$ 6,300	\$	\$ 3,708	\$ 2,592
130-000-000	\$ 8,171	\$ 6,000	\$ 5,913	\$ 8,258
131-000-000	\$ 13,000	\$ 1,000	\$ 13,999	\$ 1
132-000-000	\$ 86,000	\$ 40,000	\$ 124,119	\$ 1,881
134-000-000	\$ 317,900	\$ 150,000	\$ 464,530	\$ 3,370
201-000-020	\$ 38,129	\$ -	\$ 35,943	\$ 2,186
301-000-040	\$ 156,943	\$ -	\$ 99,170	\$ 57,773
463-000-000	\$ 908,000	\$ 100,000	\$ 1,005,046	\$ 2,954
501-000-000	\$ 328,900	\$	\$ 320,390	\$ 8,510
502-000-000	\$ 2,223,900	\$ -	\$ 1,947,595	\$ 276,305
504-000-000	\$ 35,000		\$ 84	\$ 34,916
505-000-000	\$ 577,756	\$ 115,000	\$ 691,772	\$ 984

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

D. Cash

See Note 2, *Deposits & Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days unless specified by a bargaining unit contract and is payable upon resignation, retirement, or death.

Sick leave may be accumulated indefinitely, unless specified by a bargaining unit contract. Upon separation, employees do not receive payment for unused sick leave. Upon retirement or death, employees do receive payment for 1/3 of unused sick leave with a cap of 50 days. Payments are recognized as expenditures when paid.

G. Long Term Debt

See Note 5, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The County's *Other Financing Sources* consist of transfers in and out between funds and disposition of fixed assets,

Transfer In	Amount	Transfer Out	Amount
Current Expense- Clerk	\$ 4,681	Clerk's Collection	\$ 4,681
Current Expense-Sheriff	\$ 100,000	Road	\$ 100,000
Road RAP Excess	\$ 137,988	Road	\$ 137,988
Road	\$ 137,988	Road RAP excess	\$ 137,988
Real Estate & Property tax Admin Assistance	\$ 50,020	Treasurer's Reet	\$ 50,020

Disposition of Fixed Assets:

Counseling	\$ 8,325
Timber	\$ -10,861
ER&R	\$ 95,523
Road	\$ 379
Park	\$156,653
Risk Management	\$ 10,263

I. Risk Management

Pend Oreille County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together 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 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 Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year

from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2015, Pend Oreille County selects a per-occurrence deductible of \$10,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2014-15, this “corridor” increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles, and for their proportional shares of the entry year’s assessments. New members contract under the Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any member may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members’ proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

The Pool is fully funded by its member participants. Claims are filed directly with the Pool by members and adjusted by one of the six staff members responsible for evaluating each claim for coverage, establishing reserves, and investigating for any risk-shared liability. The Pool does not contract with any third party administrators for claims adjustment or loss prevention services.

During 2014-15, Pend Oreille County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Pend Oreille County also participates in the jointly purchased cyber risk and security coverage from a highly-rated commercial insurer.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three-times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool’s self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool’s annual operating budget.

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and reviews the Pool’s financial health, b) approve case settlements exceeding the applicable member’s deductible by at least \$50,000, c) review all claims with incurred loss estimates exceeding \$100,000, and d) evaluate the Pool’s operations, program deliverables, and the Executive Director’s performance. Committee members are expected to participate in the Board’s standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association’s policies and its coverages for the Board to consider and act upon

During 2014-15, the WCRP’s assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool’s net position decreased slightly from \$19.4 million to \$18.9 million. The Pool more than satisfies the State Risk Manager’s solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2015 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Pend Oreille County is self-insured, pursuant to RCW 50.44.030, for unemployment compensation. The unemployment contribution fund was established by Resolution 78-2, January 16, 1978. Rates are adjusted annually based on the previous year payroll and claims payments. The State of Washington Employment Security Department administers claims and bills Pend Oreille County for any claims. As per schedule 21, the County had claims totaling \$21,055 for 2015.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Pend Oreille County Commissioner Resolution, State RCW or by Grant restrictions. When expenditures that meet restrictions are incurred, the county intends to use reserved resources first before using unreserved amounts.

- a) Counseling Fund (102-000-000) - In 2011, Pend Oreille County was contacted by a representative of the Department of Social and Health Services, who informed us that an advance they provided in 1985 to the Counseling services for the purpose of covering lags in payments should show on the annual reporting. In April 2015 the \$21,895 advance payment was paid back to DSHS.
- b) General Fund (001-000-180) - The Cash flow reserve was established in 2008 to ensure adequate cash flow throughout the year. It was originally set at \$800,000 and in December 2008, resolution 2008-66 added \$200,000 more to the reserve. Resolution 2010-62 decreased the reserve balance back to \$800,000 using the \$200,000 to balance the budget for 2011, with the intent to return the balance back to \$1,000,000 when financially feasible. Resolution 2013-5, fulfilled the intention of returning the cash flow balance to \$1,000,000. In addition, Noxious Weed, a department within Current expense (001-000-475), must reserve the difference in income and expenditures in the neighborhood cost-share program (2015-\$25,999), (a federally funded grant program), if there is any carryover.
- c) Reservations of Ending Cash and Investments consist of the following:

FUND	Beginning Reserve	Ending Reserve	Nature of Restriction
101 Arts & Tourism	40,870	42,225	RCW 67.28.180
102 Counseling	1,020,346	1,089,329	RCW 71.24.015 (7) & RCW 71.20.110 & State & Federal Grants
103 Crime Victims	14,339	16,438	RCW 7.68.035
104 Fair	68,077	70,102	RCW 15.76.115
105 Law Library	2,417	3,180	RCW 27.24.070 & RCW 27.24.030
110 Park	103,873	120,854	Resolution 2008-59 and Resolution 98-82
111 Paths & Trails	116,039	124,308	RCW 47.30
112 Road	1,405,410	1,086,267	RCW 36.82.010 & RCW 82.36.025 & State & Federal Grants

114 Veteran's Assistance	50,160	55,466	RCW 73.08.010
115 Real Estate & Prop Tax Admin	9,442	70,626	RCW 82.45.180 (5a,b,c)
117 Treasurer's REET	49,980	0	RCW 82.45.180
118 Treasurer's O&M	23,727	22,478	RCW 84.56.020
119 Auditor's O&M	99,857	105,864	RCW 36.22.170 & RCW 36.22.175
123 Trial Court Improvement	76,375	85,404	RCW 3.58.060
126 Drug Enforcement	1,823	61,943	RCW 69.50.505
127 Emergency 911	1,463	22,298	RCW 82.14B.030
128 Extension Education	13,711	11,337	Resolution 98-19
130 Growth Management	0	0	RCW 36.70.010
131 Low Income Housing	13,548	14,112	RCW 36.22.178
132 Homeless Program	49,624	31,624	RCW 36.22.179
134 Public Facilities	456,381	192,899	RCW 82.14.370
301 Capital Projects	119,791	156,364	RCW 82.46.040

NOTE 2 – DEPOSITS & INVESTMENTS

It is the county's policy to invest all temporary cash surpluses. The interest on these investments is posted to the current expense fund.

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

Investments are presented at original cost. Investments by type at December 31, 2015 are as follows:

Type of Investment	Pend Oreille County own investments	Investments held by the county as agent for other local governments or private organizations	Total
LGIP	\$7,271,999	\$10,503,946	\$17,775,945
US GOVT SEC	\$0	\$0	\$0
Other:	\$0	\$0	\$0
Certificates of Deposit	\$0	\$100,000	\$100,000
Money Market Accounts	\$441,225	\$7,079	\$448,304
Totals	\$7,713,224	\$10,611,025	\$18,324,249

Securities Lending Transactions: The County did not participate in any securities lending transactions during the period covered by the financial statement.

Derivatives: The County had no derivative or similar transactions during the period covered by the financial statement.

The amounts reported as net cash and investments also include a compensating balance maintained with the bank in lieu of payments for services rendered. The average compensating balance maintained during 2015 was approximately \$4,191,080.

NOTE 3 - PROPERTY TAX

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

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

Pend Oreille County's regular levy for the year 2015 was \$1.3806964501 per \$1000 on an assessed valuation of \$1,383,714,878 for a total regular levy of \$1,910,491.

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 rate for 2015 was \$1.5648043911 per \$1,000 on an assessed valuation of \$1,208,890,952 for a total road levy of \$1,891,677.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2015.

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>
Fair	Public Facilities	\$30,000	0	\$3,000	\$27,000
Solid Waste	ER&R	\$0	\$95,000	0	\$95,000

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the County's debt transactions for year ended December 31, 2015. The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2016	\$ 47,568	\$0.00	\$0.00	\$ 47,568
2017	\$ 73,528	\$0.00	\$0.00	\$ 73,528
2018	\$ 76,919	\$0.00	\$0.00	\$ 76,919
2019	\$ 76,529	\$0.00	\$0.00	\$ 76,529
2020-2021	\$ 152,801	\$0.00	\$0.00	\$ 152,801
TOTALS	<u>\$ 427,345</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$ 427,345</u>

In 2016, a new bond was issued for funding to bring Solid Waste in-house and replacement of an HVAC system, which accounts for the increase to the future debt service requirements. See Note 7 e for more information on this bond.

Debt Guarantees

In 2014, Pend Oreille County guaranteed the Washington State Department of Ecology Loan No. L1400009 of Selkirk School district, a legally separate entity, as part of a pass-through grant/loan to the school district. In the event that Selkirk School District is unable to make a payment, Pend Oreille County will be required to make that payment. The total principle amount of the outstanding debt subject of this guarantee at year end was \$40,405.

NOTE 6 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in the following statewide retirement systems; Public Employees' Retirement System (PERS 1,2, and 3), Public Safety Employees' Retirement System (PSERS), Or Law Enforcement Officers and Fire Fighters Retirement System, (LEOFF 2) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

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

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

At June 30, 2015 (the measurement date of the plans), the County's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	.0585390%	\$3,062,134
PERS 2/3	.0688930%	\$2,461,586
PSERS 2	.1141630%	\$ 20,837
LEOFF 1	.0017720%	(\$ 21,357)
LEOFF 2	.0386210%	(\$ 396,947)

LEOFF Plan 1

The County also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislations. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The County also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

NOTE 7 – OTHER DISCLOSURES

- a) For 2014, Pend Oreille County agreed to be the fiscal agent for a Department of Ecology pass-through loan to Selkirk School District. In 2016, a portion of the loan was received by Pend Oreille County and distributed to the Selkirk School District, thus \$29,566.64 is included in schedule 7 and 11, but technically it is not a debt of Pend Oreille County so it is not included in Schedule 9, 1 or C-4.
- b) Pend Oreille County declared two emergencies in 2015. Emergency Resolutions 2015-27 and 2015-28 were declared on August 4, 2015 and August 14, 2015, respectively, in response to fast moving wildfires. Later in the year on November 23, 2015, Emergency Resolution 2015-39 was declared due to a severe windstorm with damaging winds.
- c) Pursuant to Resolution 2015-30 the Clerk's Collection Fund (122-000-000) was closed due to the fact that it did not meet the requirements of a special revenue fund.
- d) Resolution 2015-47 closed the Real Estate Excise Tax Technology Fund (117-000-000) as the Treasurer had established all systems required and transferred the remaining funds to the Real Estate and Property Tax Administration Fund established in 2014 per RCW 82.45.180.
- e) In March 2016, needing capital funds for equipment to run the County Solid Waste program in-house after the contractor rates became unmanageable, and an outdated HVAC unit for the courthouse needed replaced the County issued through the Washington State Treasurer LOCAL program a bond for \$337,366.14 principle. This bond is not included in the 2015 Schedule 9 because the debt is not incurred until 2016.
- f) In re-evaluating the Petty cash funds for the 2015 financial reports, the Treasurer became aware of a \$200 addition error in the amount of the Auditor Petty Cash and a \$75 account that had previously been closed in the Juvenile department that was not recognized in the prior year, thus a prior period adjustment of \$275 was made in 2015.

**Pend Oreille County
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	Martin Hall Bond 96 RFDG	12/1/2016	67,751	-	33,059	34,692
Total General Obligations:			67,751	-	33,059	34,692
Revenue Obligations						
259.12	Compensated Absences		1,130,629	871,974	731,355	1,271,248
264.30	Pension Liabilities		-	5,544,557	-	5,544,557
Total Revenue Obligations:			1,130,629	6,416,531	731,355	6,815,805
Total Liabilities:			1,198,380	6,416,531	764,414	6,850,497

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	Federal Forest Yield	-	395,663	395,663	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	Federal Forest Yield	-	1,607	1,607	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NFS 13DG- 11062100-009	-	38,115	38,115	-	4
Total Forest Service Schools and Roads Cluster:				-	435,385	435,385	-	
Violence Against Women Office, Department Of Justice (via Washington State Dept of Commerce)	Violence Against Women Formula Grants	16.588	F13-31103-052	30,414	-	30,414	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via State Dept of Transportation)	Highway Planning and Construction	20.205	BRS-T261(005)	14,755	-	14,755	-	
Federal Highway Administration (fhwa), Department Of Transportation (via State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-F260(005)	12,801	-	12,801	-	
Federal Highway Administration (fhwa), Department Of Transportation (via State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-F260(004)	4,789	-	4,789	-	
Total Highway Planning and Construction Cluster:				32,345	-	32,345	-	
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via State Dept of Transportation/WASPC)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	A-2014-72	430	-	430	-	
Total Highway Safety Cluster:				430	-	430	-	
Pipeline And Hazardous Materials Safety Administration, Department Of Transportation (via WA State Military Dept)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E16166	8,000	-	8,000	-	
Clean Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via WA Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1400009	10,263	-	10,263	10,263	
Total Clean Water State Revolving Fund Cluster:				10,263	-	10,263	10,263	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-90027	18,339	-	18,339	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1563-42489	25,301	-	25,301	-	
Total CFDA 93.243:				43,640	-	43,640	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Drug-Free Communities Support Program Grants	93.276	5H79Sp018172- 04	136,471	-	136,471	-	
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	0763-15091	1,115	-	1,115	-	3
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	2110-80328	66,830	-	66,830	-	3
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	2110-80328	19,380	-	19,380	-	3
Total CFDA 93.563:				87,325	-	87,325	-	

The accompanying notes are an integral part of this schedule.

Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Community Mental Health Services	93.958	13MHBG1572	11,785	-	11,785	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Community Mental Health Services	93.958	1563-39545	6,000	-	6,000	-
Total CFDA 93.958:				17,785	-	17,785	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27319 (13-15 biennium)	1,509	-	1,509	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43871 (15-17 biennium)	3,797	-	3,797	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42489 (15-17 biennium)	10,674	-	10,674	-
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27319 (13-15 biennium)	29,502	-	29,502	-
Total CFDA 93.959:				45,482	-	45,482	-
Department Of Homeland Security (via WA State Parks & Rec)	Boating Safety Financial Assistance	97.012	LE 911-226	15,633	-	15,633	-
Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E15156	30,527	-	30,527	-
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E14152/SDEM13 17	19,550	-	19,550	-
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E14247	46,866	-	46,866	-
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15191	35,454	-	35,454	-
Total CFDA 97.067:				101,870	-	101,870	-
Total Federal Awards Expended:				560,185	435,385	995,570	10,263

The accompanying notes are an integral part of this schedule.

PEND OREILLE COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COST

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the County's portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The amount expended for 2015 for Child Support Superior Court includes \$110 claimed as an indirect cost recovery using an approved indirect cost rate of 10.81% and Child Support Prosecutor includes \$7,128 claimed as an indirect cost recovery using an approved indirect cost rate of 10.81% and Child Support County Clerk includes \$19,143 claimed as an indirect cost recovery using an approved indirect cost rate of 10.81%. The County has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 – INDIRECT COST RATE

The amount expended for 2015 for Title II U.S. Dept of Ag/U.S. Forest Service Weed Board Grant includes \$ 4,786 claimed as an indirect cost recovery using an approved indirect cost rate of 14.36%, approved for two years by the Grantor. The County has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

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	
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