



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
Grant County

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

Published June 1, 2017

Report No. 1019269





Office of the Washington State Auditor
Pat McCarthy

June 1, 2017

Board of Commissioners
Grant County
Ephrata, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Grant 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,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Grant County January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Grant 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 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>
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 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

See finding 2015-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Grant County January 1, 2015 through December 31, 2015

2015-001 The County's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.

Background

County Commissioners, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. It is the responsibility of County management to design, implement and maintain internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified material weaknesses in internal controls that affected the County's ability to produce reliable financial statements and reports.

Government Auditing Standards require auditors to communicate material weaknesses, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

Prior audits have consistently identified less significant weaknesses in internal controls and accurate financial reporting. The current audit identified the following deficiencies in internal controls that, when taken together, represent a material weakness:

- County staff responsible for financial statement preparation lacked technical knowledge and experience necessary to ensure the financial statements, supplementary schedules and notes were prepared accurately and in accordance with the *Budgeting, Accounting and Reporting System* (BARS) Manual.
- The secondary review of the financial statements and the notes was not adequate to ensure the financial statements and notes were accurate and presented in accordance with the BARS Manual.
- County management did not adequately monitor the accounting department to ensure it performed a monthly reconciliation of the general ledger to Treasurer's Office information. In addition, journal entries

prepared and posted by the accounting department were not reviewed for accuracy, reasonableness and supporting documentation.

- The County has two departments that record financial activity throughout the year on an accrual basis. Typically, the County performs year-end conversion of activity in these funds to conform to cash basis of accounting. However, the County did not perform the necessary conversion for 2015 and thus reported some financial activity on the financial statement using an incorrect basis of accounting.

Cause of Condition

The County experienced turnover in key accounting staff responsible for financial statement preparation and did not ensure new staff had the technical proficiency or adequate training in the BARS Manual reporting requirements to accurately prepare the financial statements.

Additionally, a lack of communication between County departments impedes adequate knowledge and understanding of financial activity to ensure proper reporting.

Effect of Condition

We identified the following errors in the financial statements. The County:

- Did not report activity related to the bond refunding. As a result, other financial sources and other financial uses balances of the C-4 statement were understated by about \$7.3 million.
- Misclassified beginning and ending fund balances between reserved and unreserved by about \$11.2 million and \$36 million, respectively.
- Likely misclassified about \$10.2 million in revenues and \$3.7 million in expenditures. The County reported the transactions in the correct County funds, but did so incorrectly within those funds. For instance, the County combined various transactions and posted them as a \$2.4 million journal entry in the County Roads Funds as a special item because staff responsible for financial statement preparation did not know in which line items these items belonged.
- Did not properly assign about \$266,000 of expenditures paid in the first 20 days after year-end to the prior period as required by County policy and allowed by state law (RCW 36.40.200).

- Reported \$2,733,574 more in revenues than expected based on bank receipts and known reconciling items. The County also reported \$498,875 less in expenditures than expected based on bank disbursements and known reconciling items.
- Reported \$382,448 in accrued interest as revenue and included it in ending fund balance. The County reports on a cash basis of accounting, which requires that revenue is recognized only when cash is received.
- Reported about \$1 million in depreciation expense. The cash basis of accounting requires the County to expense assets when they are purchased, rather than depreciating the assets across years.
- Over-reported revenues and expenditures by \$951,294 by not identifying and eliminating inter-fund transfers as part of the financial statement preparation process. In addition, transfers in exceed transfers out by \$228,628 on the final version of the financial statements.

In addition, our audit identified a large number of errors on the financial statements that were not individually significant but when taken together, impaired the understandability of the financial reports.

Further, the County did not meet its federal single audit reporting deadline, as it did not submit its audit to the Federal Audit Clearinghouse by September 30, 2016.

Recommendation

We recommend the County:

- Provide adequate time and training to staff responsible for financial accounting and reporting so the County's financial statements comply with reporting requirements and the likelihood of errors is reduced.
- Increase monitoring of the accounting department to ensure that normal controls procedures are consistently performed. These procedures include accounting personnel reconciling the general ledger to Treasurer's Office financial information, converting transactions reported under accrual basis of accounting to cash basis accounting and regular review of journal entries.
- Establish a detailed secondary review process to ensure financial statements comply with current reporting requirements.

County's Response

The Accounting Department experienced turnover in key accounting staff in April 2016, with no cross training available from the previous employee in that position. Due to time constraints, training on the BARS codes was not immediately available to the new staff. The prior employee who had been responsible for the financial statement preparation had not completed any of the preliminary work necessary for the financial statement filing and no instructions, notes or workpapers were available as a resource for the new staff in preparing the 2015 financial statement. The new staff hired at the end of April 2016 subsequently received training on the BARS codes and grant reporting prior to the end of 2016 and ongoing training and cross-training, as appropriate, will continue for all Accounting staff. Additionally, the Auditor and Accounting Department are working with all County departments to ensure that all BARS codes being used are valid in accordance with the BARS Manual and to inactivate all old and invalid accounts so that they are not posted to in error.

An adequate secondary review of the 2015 financial statements and notes was not performed as a result of the employee who was responsible for the 2015 financial statement and annual audit preparation left County employment in April. This previous employee had not completed any preliminary work necessary for the financial statement filing and had not ensured that all funds/accounts had been reconciled and balanced to the Treasurer. Due to the timing of the previous employees' departure, the hiring of the new staff with no cross-training, being short-staffed in the Accounting Department and no instructions, notes or workpapers to follow in preparing the 2015 financial statement, a thorough and adequate review of the financial statements and notes was not completed. As the new staff has had adequate training in 2016, gained experience and has prepared complete reconciliations of all funds/accounts to the Treasurer, a complete secondary review has been performed on the 2016 financial statements.

During 2015, not all transactions were reviewed by a second person in the Accounting Department or by the Auditor for accuracy, reasonableness and supporting documentation. A new Chief Accountant was hired in April 2016 and a new process was implemented in May 2016 which requires all journal entries to be reviewed and signed by a second person in the Accounting Department or by the Auditor. Additionally, transfer forms have been modified to include the amounts being transferred for each fund, the journal entry number, the date posted, who posted it and when it was sent to the Treasurer's office for posting. Other forms have also been modified to ensure that all pertinent information is easily identified and the person who posted the transaction initials and dates the document.

Due to time constraints and staff turnover not only in the Accounting Department, but also in the two departments that recorded financial activity on an accrual basis, the conversion from accrual basis to cash basis was not communicated and therefore was not completed for the 2015 financial statements. As the former employee who was responsible for the 2015 financial statement preparation left the County's employment in April, 2015 without having completed any of the preliminary work for the 2015 financial statement filing and without leaving any instructions, workpapers or notes the new staff was not aware that this conversion was required. This has been corrected for the 2016 annual report and will continue in the future for the remaining department that records financial activity on an accrual basis.

Misclassification of reserved and unreserved fund balances were a result of following the same method used on previously submitted annual reports filed by Grant County which were not deemed to be misclassified during prior annual audits. The 2016 annual report has been corrected to accurately reflect the reserved and unreserved balances as a result of this and the notes to the financials have been updated to reflect why accounts are reserved.

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

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 (BARS) Manual – Accounting, Accounting Principles and Internal Control, Internal Control states in part:

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations

- Reliability of financial reporting

3.1.3.30 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. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as "management" throughout the rest of this section.

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor's Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
 - Only valid transactions are recorded and reported.
 - All transactions occurred during the period are recorded and reported.
 - Transactions are recorded and reported at properly valued and calculated amounts.

- Recorded and reported transactions accurately reflect legal rights and obligations.
- Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

3.1.3.160 Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

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

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 Accounts defines significant deficiencies and material weaknesses in its Codification of Statements on Audit Standards section 265 as follows:

Deficiency in internal control. A deficiency in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness. A deficiency, or a combination of deficiencies, in internal control over financial reporting, 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. A reasonably possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Probable. The future event or events are likely to occur.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

RCW 36.40.200 Lapse of budget appropriations, states:

All appropriations shall lapse at the end of the fiscal year: PROVIDED, That the appropriation accounts may remain open for a period of thirty days, and may, at the auditor's discretion, remain open for a period not to exceed sixty days thereafter for the payment of claims incurred against such appropriations prior to the close of the fiscal year.

After such period has expired all appropriations shall become null and void and any claim presented thereafter against any such appropriation shall be provided for in the next ensuing budget: PROVIDED, That this shall not prevent payments upon uncompleted improvements in progress at the close of the fiscal year.

**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**

**Grant County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Grant County
Ephrata, 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 Grant 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 May 22, 2017.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 to be material weaknesses.

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

Pat McCarthy
State Auditor
Olympia, WA

May 22, 2017

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

**Grant County
January 1, 2015 through December 31, 2015**

Board of Commissioners
Grant County
Ephrata, Washington

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

We have audited the compliance of Grant County, Grant 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

May 22, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Grant County January 1, 2015 through December 31, 2015

Board of Commissioners
Grant County
Ephrata, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Grant 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 24.

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, Grant 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 Grant 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 Grant 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 May 22, 2017 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 black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy

State Auditor

Olympia, WA

May 22, 2017

FINANCIAL SECTION

Grant 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

Grant 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 County Roads
Beginning Cash and Investments				
30810	Reserved	31,418,264	-	6,560,203
30880	Unreserved	36,978,458	10,228,587	-
388 & 588	Prior Period Adjustments, Net	(108,326)	(177,669)	61,181
Operating Revenues				
310	Taxes	42,636,230	26,747,577	9,205,778
320	Licenses and Permits	899,422	104,445	-
330	Intergovernmental Revenues	33,804,361	5,137,515	15,150,015
340	Charges for Goods and Services	18,002,774	3,528,241	12,793
350	Fines and Penalties	3,652,229	3,643,490	-
360	Miscellaneous Revenues	7,349,850	1,507,250	662,383
Total Operating Revenues:		106,344,866	40,668,519	25,030,969
Operating Expenditures				
510	General Government	32,831,634	16,916,756	2,459,867
520	Public Safety	20,745,253	15,502,565	253,975
530	Utilities	2,424,954	92,129	-
540	Transportation	15,790,286	6,624	13,396,377
550	Natural and Economic Environment	2,475,257	1,041,687	-
560	Social Services	12,916,326	631,070	-
570	Culture and Recreation	2,116,288	1,926,807	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		89,299,999	36,117,638	16,110,219
Net Operating Increase (Decrease):		17,044,868	4,550,881	8,920,750
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	2,370,590	223,713	-
391-393	Debt Proceeds	7,989,663	-	-
397	Transfers-In	5,772,633	307,001	-
Total Nonoperating Revenues:		16,132,886	530,714	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	9,494,479	1,000,000	471,355
591-593	Debt Service	1,976,080	-	2,002
594-595	Capital Expenditures	13,929,389	877,291	8,300,959
597	Transfers-Out	5,544,305	3,410,510	-
Total Nonoperating Expenditures:		30,944,254	5,287,801	8,774,316
Net Increase (Decrease) in Cash and Investments:		2,233,501	(206,206)	146,434
Ending Cash and Investments				
5081000	Reserved	37,069,482	-	6,767,818
5088000	Unreserved	33,452,315	9,844,711	-
Total Ending Cash and Investments		70,521,796	9,844,711	6,767,818

The accompanying notes are an integral part of this statement.

102 Emergency Management	104 Veteran's Assistance	107 Drug Seizure	108 Mental Health	109 I-NET	110 Law Library
-	326,869	4,839	-	80,963	21,903
198,167	-	-	2,754,095	-	-
-	-	-	(58)	-	-
-	118,580	-	2,956	-	-
-	-	-	-	-	-
545,878	43	-	7,471,222	181	-
3,700	-	-	212,254	-	30,577
-	-	1,744	-	226	-
-	4,954	-	61,002	20,063	-
549,577	123,576	1,744	7,747,435	20,470	30,577
0	-	-	-	-	27,417
662,282	-	-	-	74,332	-
-	-	-	-	-	-
-	-	-	-	-	-
-	113,777	-	-	-	-
-	-	-	7,808,433	-	-
-	-	-	-	-	-
-	-	-	-	-	-
662,282	113,777	-	7,808,433	74,332	27,417
(112,705)	9,799	1,744	(60,998)	(53,862)	3,160
-	-	-	-	-	-
-	-	-	-	-	-
73,558	-	-	-	-	-
73,558	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	13,796	-	44,851	-	-
-	-	-	-	-	-
-	13,796	-	44,851	-	-
(39,147)	(3,997)	1,744	(105,849)	(53,862)	3,160
-	322,872	6,583	-	27,101	25,063
159,020	-	-	2,648,188	-	-
159,020	322,872	6,583	2,648,188	27,101	25,063

The accompanying notes are an integral part of this statement.

111 Treasurer O&M	113 Economic Enhancement	114 Tourist Advertising	115 P.A.R.C	120 Crime Victims Support	121 Law and Justice
47,868	1,718,680	367,129	-	-	804,315
-	-	-	387,231	103,127	-
-	-	-	1,447	-	(0)
-	810,692	487,593	-	-	-
-	-	-	-	-	-
-	-	-	957,543	15,593	740,988
80,546	-	-	103,643	82,174	-
-	-	-	-	-	-
1,090	-	-	8,176	-	-
81,636	810,692	487,593	1,069,361	97,767	740,988
19,989	71,669	-	-	72,481	1,475
-	-	-	-	-	528,250
-	-	-	-	-	-
-	-	-	-	-	-
-	5,000	416,260	-	-	-
-	-	-	1,373,855	-	2,203
-	-	-	-	-	-
-	-	-	-	-	-
19,989	76,669	416,260	1,373,855	72,481	531,927
61,647	734,023	71,333	(304,494)	25,286	209,060
-	88,400	-	-	-	-
-	12,000	-	-	-	-
-	-	-	-	-	-
-	100,400	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,266,779	-	-	-	238,648
35,000	-	32,104	-	-	-
35,000	1,266,779	32,104	-	-	238,648
26,647	(432,356)	39,229	(304,494)	25,286	(29,588)
74,515	1,286,323	406,359	-	-	774,727
-	-	-	84,185	128,413	-
74,515	1,286,323	406,359	84,185	128,413	774,727

The accompanying notes are an integral part of this statement.

124 Auditor's O&M	Developmental Disability Residential	128 New Hope - Domestic Violence	129 Affordable Housing	133 Rural Economic Development	135 Emergency Communications
228,181	-	-	12,804	3,873,437	2,472,639
-	331,855	61,495	-	-	-
-	7,267	(3,417)	-	-	10,943
-	232,787	-	-	1,009,498	2,784,657
-	-	-	-	-	-
58,341	1,849,253	656,685	-	-	-
35,293	-	126,512	414,731	-	-
-	-	8,210	-	-	-
-	26,275	60,058	-	-	98,349
93,634	2,108,315	851,464	414,731	1,009,498	2,883,006
27,789	-	-	0	-	-
-	-	-	-	-	2,029,094
-	-	-	-	200,000	-
-	-	-	-	-	-
-	-	-	384,813	-	-
-	2,217,564	883,202	-	-	-
-	-	-	-	140,000	-
-	-	-	-	-	-
27,789	2,217,564	883,202	384,813	340,000	2,029,094
65,845	(109,249)	(31,738)	29,918	669,498	853,912
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	16,389	-	-	-	-
-	-	-	-	418,300	1,084,945
-	16,389	-	-	418,300	1,084,945
65,845	(125,638)	(31,738)	29,918	251,198	(231,033)
294,025	-	-	42,721	4,124,635	2,252,550
-	213,484	26,281	-	-	-
294,025	213,484	26,281	42,721	4,124,635	2,252,550

The accompanying notes are an integral part of this statement.

136 Dispute Resolutions	138 Building	190 Grant Administration	203 Fair G.O Bond	205 MACC Construction Bond	207 MACC 2014 Construction Bond
730	-	-	-	751,074	300,953
-	20,746	-	-	14,955	-
-	5,886	(68,371)	-	-	-
-	-	-	-	-	-
-	794,977	-	-	-	-
-	-	605,546	-	-	-
9,730	19	-	-	-	-
-	-	-	-	-	-
-	1	-	-	11,680	-
9,730	794,997	605,546	-	11,680	-
9,630	2,939	-	-	-	-
-	917,280	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	513,720	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,630	920,218	513,720	-	-	-
100	(125,222)	91,826	-	11,680	-
-	-	-	-	-	-
-	-	-	7,966,163	-	-
-	112,169	-	863,251	1,023,592	-
-	112,169	-	8,829,415	1,023,592	-
-	-	-	7,873,124	-	-
-	-	-	950,486	1,023,592	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,823,610	1,023,592	-
100	(13,053)	91,826	5,805	11,680	-
830	-	23,454	5,804	747,980	300,953
-	13,580	-	-	29,729	-
830	13,580	23,454	5,804	777,709	300,953

The accompanying notes are an integral part of this statement.

303 Fair Construction	304 Museum Construction	307 MACC 2014 Construction	308 Courthouse & Juvenile Construction	309 County Fair Sewer Project	310 REET Projects
-	261,027	7,529,839	-	-	-
-	-	-	-	-	2,882,652
(37)	-	-	-	-	-
-	-	-	-	-	1,236,112
-	-	-	-	-	-
-	-	-	-	-	139,568
-	-	-	-	-	-
-	-	-	-	-	-
29	-	118,249	-	-	0
29	-	118,249	-	-	1,375,680
-	-	-	-	-	-
-	-	777,476	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	54
-	-	-	-	-	-
-	-	777,476	-	-	54
29	-	(659,227)	-	-	1,375,626
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,500,000	500,000	-
-	-	-	1,500,000	500,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	138,640
-	-	-	-	-	563,446
-	-	-	-	-	702,086
29	-	(659,227)	1,500,000	500,000	673,540
-	261,027	6,870,612	1,500,000	500,000	3,556,192
-	-	-	-	-	-
-	261,027	6,870,612	1,500,000	500,000	3,556,192

The accompanying notes are an integral part of this statement.

401 Solid Waste	501 Technology Services	503 Self-Insurance	505 Interfund Benefits	506 Unemployment Compensation	507 Dental Insurance Fund
2,062,183	-	-	-	-	-
13,652,683	1,156,305	-	2,426,773	480,893	366,576
6,305	14,858	-	10,616	2,325	-
-	-	-	-	-	-
-	-	-	-	-	-
475,991	-	-	-	-	-
3,101,458	224,272	1,016,810	7,193,182	246,634	619,268
(1,442)	-	-	-	-	-
283,537	28,996	-	32,880	8,416	4,810
3,859,544	253,268	1,016,810	7,226,061	255,050	624,078
144,139	2,203,448	1,016,762	8,832,651	135,685	610,541
-	-	-	-	-	-
2,132,826	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
49,427	-	-	-	-	-
-	-	-	-	-	-
2,326,392	2,203,448	1,016,762	8,832,651	135,685	610,541
1,533,152	(1,950,180)	48	(1,606,590)	119,365	13,537
-	-	-	1,683,307	-	-
11,500	-	-	-	-	-
-	1,393,061	-	-	-	-
11,500	1,393,061	-	1,683,307	-	-
-	-	-	150,000	-	-
-	-	-	-	-	-
134,635	5,991	-	-	-	-
-	-	-	-	-	-
134,635	5,991	-	150,000	-	-
1,410,017	(563,110)	48	(73,283)	119,365	13,537
2,172,658	-	-	-	-	-
14,958,531	608,052	-	2,364,106	602,583	380,113
17,131,189	608,052	-	2,364,106	602,583	380,113

The accompanying notes are an integral part of this statement.

508 Other Payroll Benefits	509 Other Payroll Benefits	510 Equipment Rental	560 Pits & Quarries
-	-	3,992,627	-
357,417	-	-	1,554,900
-	-	44,747	(24,345)
-	-	-	-
-	-	-	-
-	-	-	-
188,006	160,929	105,994	506,009
-	-	-	-
7,088	1,197	4,355,244	48,124
195,094	162,126	4,461,238	554,133
153,741	124,652	-	-
-	-	-	-
-	-	-	-
-	-	2,267,591	119,694
-	-	-	-
-	-	-	-
-	-	-	-
153,741	124,652	2,267,591	119,694
41,353	37,474	2,193,647	434,439
-	150,000	225,171	-
-	-	-	-
-	-	-	-
-	150,000	225,171	-
-	-	-	-
-	-	-	-
-	-	1,731,512	1,159,897
-	-	-	-
-	-	1,731,512	1,159,897
41,353	187,474	687,306	(725,458)
-	-	4,724,679	-
398,769	187,473	-	805,097
398,769	187,473	4,724,679	805,097

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	621 Advanced Tax	623 Foreclosure Surplus Overage	627 G.C. Clerk Trust
308	Beginning Cash and Investments	713,680	39,417	92,059	85,710
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	44,503,752	50,379	880,634	1,650
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	43,797,246	59,491	505,337	1,654
Net Increase (Decrease) in Cash and Investments:		706,506	(9,112)	375,297	(4)
508	Ending Cash and Investments	1,420,863	30,305	467,356	85,707

		631 Treasurer Suspense	633 REET	634 District Court	635 Superior Court
308	Beginning Cash and Investments	(9,774)	30,176	143,571	13,533
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	9,908,078	7,613,862	2,102,736	254,474
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	9,773,427	7,571,089	2,093,715	256,801
Net Increase (Decrease) in Cash and Investments:		134,651	42,773	9,021	(2,327)
508	Ending Cash and Investments	124,878	72,942	152,592	11,207

		637 State General	642 Pass Trough	643 State Marriage License	644 DNR Filing Fees
308	Beginning Cash and Investments	266,489	2,189	330	966
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	23,027,177	-	9,525	10,484
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	22,876,807	-	9,780	10,606
Net Increase (Decrease) in Cash and Investments:		150,370	-	(255)	(122)
508	Ending Cash and Investments	416,859	2,189	585	1,088

		645 State of Washington	646 State Building
308	Beginning Cash and Investments	48,826	189
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	642,218	2,534
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	636,042	2,498
Net Increase (Decrease) in Cash and Investments:		6,176	37
508	Ending Cash and Investments	55,002	153

The accompanying notes are an integral part of this statement.

Grant County
Notes to the Financial Statements
For the year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The Grant County was incorporated on February 24, 1909 and operates under the laws of the state of Washington applicable to a county government. The county is a general purpose local government and provides public safety, road improvement, solid waste management, planning and zoning, cultural-recreation, judicial administration, health and social services, and general administrative services.

The 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 (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

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

B. Basis of Accounting

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

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

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

C. Budgets

Grant County adopts annual appropriated budgets for funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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 Expenditures	Variance
General Fund	\$40,682,818.10	\$40,497,963.10	\$184,855.00
County Road Fund	\$29,050,550.00	\$24,913,441.08	\$4,137,108.92
Emergency Management	\$356,453.00	\$662,282.36	\$(305,829.36)
Parks and Trail	\$165,807.00	\$28,649.78	\$137,157.22
Veteran's Assistance	\$149,900.00	\$127,573.12	\$22,326.88
Sheriff Drug Seizures	\$5,000.00	\$0.00	\$5,000.00
Mental Health/City View	\$7,983,763.00	\$7,853,162.04	\$130,600.96
INET Forfeiture	\$132,000.00	\$74,331.63	\$57,668.37
Law Library	\$34,050.00	\$27,417.09	\$6,632.91
Treasurer's O&M	\$66,000.00	\$54,989.13	\$11,010.87
Jail Concessions	\$86,300.00	\$87,861.28	\$(1,561.28)
Econ Eh SIP	\$1,981,995.00	\$1,343,448.42	\$638,546.58
Tourist Advertising	\$495,005.00	\$448,364.04	\$46,640.96
P.A.R.C.	\$1,472,464.00	\$1,373,854.70	\$98,609.30
Fair	\$1,384,185.00	\$1,385,181.28	\$(996.28)
Crime Victims Comp.	\$107,525.00	\$72,481.25	\$35,043.75
Law & justice	\$914,308.00	\$835,303.53	\$79,004.47
Turnkey Lighting	\$505.00	\$384.00	\$121.00
Auditor's O&M	\$30,000.00	\$27,789.25	\$2,210.75
Develop. Disabilities Res.	\$2,282,861.00	\$2,233,953.05	\$48,907.95
Real Estate Excise Tax 1 st	\$525,000.00	\$445,004.89	\$79,995.11
Trial Crt. Improvements	\$86,000	\$4,029.37	\$63,970.63
Domestic Viol./New Hope	\$839,173.00	\$888,184.32	\$(49,011.32)
Affordable Housing	\$110,000.00	\$62,239.70	\$47,760.30
Homeless Housing	\$400,000.00	\$349,408.90	\$50,591.10
County R.E.E.T. Tech	\$121,593.00	\$121,593.00	\$0.00
Real Estate Excise Tax 2 nd	\$525,000.00	\$445,004.89	\$79,995.11
Econ Enhance. Rural Expense	\$805,000.00	\$758,300.00	\$46,700.00
Emerg. Comm. Service	\$4,000,000.00	\$3,114,038.63	\$885,961.37
Dispute Resolution	\$15,000.00	\$9,630.00	\$5,370.00
Building Fund	\$935,920.00	\$920,218.32	\$15,701.68
R.E.E.T. Property Admin.	\$144,000.000	\$0.00	\$144,000.00
Hillcrest CRID	\$6,872.00	\$6,573.31	\$298.69
Grant Admin.	\$757,879.00	\$582,091.86	\$175,787.14
M.A.C.C. Construction Bond	\$744,570.00	\$1,023,592.40	\$(279,022.40)
2007 Bond Expense	\$896,600.00	\$0.00	\$896,600.00
C.R.I.D. Bond 92	\$15,736.00	\$15,735.21	\$0.79
C.R.I.D. Bond 93	\$16,617.00	\$16,614.44	\$0.56
C.R.I.D. Bond 01-1	\$19,000	\$0.00	\$19,000
Solid Waste	\$18,910,769.00	\$1,407,367.62	\$17,503,401.38
Technology Services	\$1,271,794.00	\$1,252,324.31	\$19,469.69

Quadrennial Expense	\$494,595.00	\$476,383.06	\$18,211.94
Insurance	\$1,118,654.00	\$1,016,409.07	\$102,244.93
Inter-fund Benefits	\$8,726,811.00	\$8,982,651.49	\$(255,840.49)
Unemployment Comp.	\$203,000.00	\$135,684.70	\$67,315.30
Dental Insurance	\$671,851.00	\$610,526.79	\$61,324.21
Other Payroll Benefits	\$203,895.00	\$153,741.45	\$50,153.55
Vision Insurance	\$171,000.00	\$124,652.44	\$46,347.56
Equipment Rental	\$7,123,000.00	\$4,194,896.88	\$2,928,103.12
Pits & Quarries	\$1,885,000.00	\$1,096,507.74	\$788,492.26

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/Deposits

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 fund.

The County's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC), and the Washington Public Deposit Protection Commission (WPDPC)

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to amount specified in Union Contract, and is payable upon separation or retirement. Sick leave may be accumulated 960 hours. Upon separation or retirement employees receive 25% if they have worked for the county for 10 years or more and receive 50% if they are retiring with social security. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 6, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The County's "Other financing Sources or Uses" consist of transfers to and from other funds, sale of fixed assets and insurance recoveries.

I. Risk Management

See Note 8, Risk Management

J. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of external restrictions from Governmental Granting Agencies and Internal restrictions placed on funds by the County's Commissioners.

County funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

101 County Roads reserved for the construction, alteration, repair, improvement, or maintenance of county roads (RCW 36.82)

104 Veteran's Assistance reserved for the relief of indigent veterans, their families, and the families of deceased indigent veterans (RCW 73.08)

107 Drug Seizure reserved for the expansion and improvement of controlled substances related law enforcement activity (RCW 69.50)

109 INET Forfeiture, reserved exclusively for the expansion and improvement of controlled substances related law enforcement activity. (RCW 69.50)

110 Law Library reserved for Law Library services for the public (RCW 27.24)

111 Treasurer O&M reserved for Treasurer Operations and Maintenance fund (RCW 84.56)

113 Economic Enhancement reserved to finance public facilities serving economic purposes. (RCW 82.14.370(3) and (5))

114 Tourist advertising reserved for paying all or any part of the cost of tourism promotion and acquisition or operation of tourism-related facilities.

121 Law & Justice the entire distribution must be expended for criminal justice purposes. RCW 82.14.310.

124 Auditor O & M reserved for ongoing preservation of historical documents of all county offices and departments (RCW 36.22)

129 & 130 Affordable and Homeless housing reserved for housing activities that serve extremely low and very low- income households in the county (RCW 36.22)

133 Rural Econ. Dev. reserved to finance public facilities serving economic purposes (RCW 82.14.370(3) and (5))

135 Emergency Communications reserved for financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of emergency

communications systems and facilities (RCW 82.14.420)

136 Dispute Resolution Center, reserved to be used solely for dispute resolution centers. (RCW 7.75.035)

190 Grant Administration, grant funds

303 Fair Construction, 304 Museum Construction, 307 MACC 2014 Construction, 310 REET Projects, all Capital Projects.

401 Solid Waste reserved for the operation, closure and post-closure. (173.303WAC)

510 Equipment Rental, reserved for the purchase, maintenance, and repair of county road department equipment; for the purchase of equipment, materials, supplies and services required in the administration and operation of the fund. (RCW 36.33A)

	General	Special	Debt	Capital		Internal	
Fund Balance	Fund	Revenue	Service	Project	Enterprise	Service	Total
Reserved For:							
Transportation		\$6,767,818					\$6,767,818
Public Safety		\$33,684					\$33,684
Archiving		\$294,025					\$294,025
Housing		\$42,721					\$42,721
Judicial		\$25,063					\$25,063
Veterans		\$322,872					\$322,872
Economic Environment		\$5,410,958					\$5,410,958
Tourism		\$406,359					\$406,359
Emergency Comm.		\$2,252,550					\$2,252,550
Tax Collection		\$74,515					
Substance Abuse							
Mental Health							
Building							
Legislative		\$830					
Law and Justice		\$774,727					\$774,727
Capital Projects		\$23,454		\$12,687,831			\$12,711,285
Bond Principal			\$1,054,737				\$1,054,737
Interprise and Internal							
Service Fund Balances							
Solid Waste					\$2,187,617		\$2,187,617
Self-Insurance							
Tech Services							
Unemployment							
Payroll							
Equip. Repair & Replace						\$4,724,679	\$4,724,679
Pits and Quarries							
Reserved		\$16,429,577	\$1,054,737	\$12,687,831	\$2,172,658	\$4,724,679	\$37,069,482
Unreserved	\$9,420,651	\$3,273,151	\$29,729	\$0	\$14,959	\$5,346,193	\$18,084,683
Total	\$9,420,651	\$19,702,728	\$1,084,466	\$12,687,831	\$2,187,617	\$10,070,872	\$55,154,165

Note 2 - COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted for general, special revenue, debt service, capital project, and proprietary funds on the modified accrual basis of accounting. These budgets are adopted at the fund level. Appropriations for all budgeted funds lapse at year-end. Major capital projects are also included in the County's capital financing plan, which carries forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned.

2. Procedures for Adopting the Original Budget

The County's budget procedures are mandated by RCW 36.40. The steps in the budget process are as follows:

By the first Tuesday in October, the County Auditor submits a proposed budget to the County Commission. This budget is based on priorities established by the commission and estimates provided by County departments during the preceding months, and balanced with each department. The County Commission conducts public hearings on the proposed budget between November and December. The Board makes its adjustments to the proposed budget and adopts by resolution a final balanced budget no later than December 31st.

3. Amending the Budget

Any revisions that alter the total expenditures of the County, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the County Commission. Transfers of appropriations were not material in relation to original appropriations.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

4. Excess of Expenditures over Appropriations

Emergency Management did not include previous grants revenues and expenditures in the 2015 budget. MACC Construction Bond issued a payment that they did not include in the 2015 budget. No budget extension were done for Jail Concessions, Grant County Fair, Domestic Violence/New Hope, and Inter-fund Benefits claims.

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 at the end of each month.

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

The county regular levy for the year 2015 was \$1.800000 per \$1,000 on an assessed valuation of \$9,267,414,006 for a total regular levy of \$16,681,345.

The County is also authorized to levy up to \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. The county's road levy for 2015 was 1.917745 per \$1,000 on an assessed valuation of \$4,582,979,162 for a total road levy of \$8,788,986.

Note 4 – Deposits and Investments

It is the county's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

The County's investments are insured, registered or held by the County of its agent in the County's name.

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

The County has its own investment pool, which is administered by the Grant County Treasurer. The investment pool is also used by other agencies and funds which are held in trust by Grant County. The reference to Funds in Pool in the Investments by Type below is referring to the Grant County Investment Pool.

Investments by type at December 31, 2015 are as follows:

Type of Investment	County's Own Investments	County's Share In Pool	Agent Funds in Pool	Total	Total Fair Market Value
LGIP		11,016,115.48	18,989,367.43	30,005,482.91	30,005,482.91
Agency Securities		69,024,496.89	118,983,096.64	188,007,593.53	185,452,939.00
Registered Warrants	4,475,460.97			4,475,460.97	4,475,460.97
Compensating Balance	3,500.00			3,500.00	3,500.00
Outstanding Accrued Int.		427,466.88	736,859.17	1,164,326.05	1,164,326.05
Prepaid Interest		26,218.34	45,194.66	71,413.00	71,413.00
TOTAL	4,478,960.97	80,494,297.59	138,754,517.90	223,727,776.46	221,173,121.93

Note 5 - Interfund Loans

The following table displays inter-fund loan activity during 2015:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2015</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2015</u>
505	001	<u>\$ 900,00.00</u>	<u>\$1,000,000.00</u>	<u>\$ _____</u>	<u>\$1,900,000.00</u>
128	108	<u>12,000.00</u>	<u>_____</u>	<u>_____</u>	<u>12,000.00</u>
	TOTALS	<u>\$912,000.00</u>	<u>\$1,000,000.00</u>	<u>\$ _____</u>	<u>\$1,912,000.00</u>

To comply with WAC 200-110-040's self-insurance reserve requirements, the County made an additional \$1,000,000 inter-fund loan from the Current Expense Fund 001 to Inter-fund Benefits Fund 505. This inter-fund loan was made in December of 2015.

The County's Domestic Violence Fund (128) needed additional funds to cover unanticipated expenditures that occurred during 2014. The Domestic Violence fund borrowed the necessary funds from the County's Mental Health Fund (108).

As of December 31, 2015, the County had a total of \$1,912,000 in inter-fund loans.

NOTE 6- LONG TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the County and summarizes the County's debt transactions for 2015.

A. Long-Term Debt

The County issues general obligation bonds to finance the purchase and construction of buildings and other capital assets. Bonded indebtedness has also been entered into to advance refund general obligation bonds. General obligation bonds have been issued for general government activities and are being repaid from the Criminal Justice Sales Tax, Distressed Counties Tax, and REET funds. These bonds are set to mature between 2027, 2030 and 2038.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount Outstanding
The 2010 LTGO MACC bonds were sold to fund a portion of the costs of electronic infrastructure and acquisition of public safety radio communications equipment of the Multi-Agency Communications Center and MACC facilities. The original issue amount totaled \$9,605,000.	2.0% - 4%	\$ 7,820,000

The 2007 LTGO Fair Bonds were sold to make improvements to certain County facilities mainly located at the County's Fair Grounds/park. The original issue amount totaled \$9,945,000	4.0% - 4.25%	\$ 1,075,000
The 2014 LTGO MACC bonds were sold to fund the project to build and equip a new emergency communications building for Grant County's Multi-Agency Communications Center \$7,485,000.	2.375% - 4%	\$ 7,485,000
<p>The 2015 LTGO REFUNDING BONDS, The proceeds of the Bonds will be used to advance refund the County's outstanding callable Limited Tax General Obligation Bonds, 2007 (the "2007 LTGO Bonds"), maturing December 1 in the years 2018 through 2027, inclusive, (the "Refunded Bonds") and to pay costs related to the issuance and sale of the Bonds and the refunding of the Refunded Bonds. The Bonds are being issued so the County can obtain the benefit of savings in total debt service requirements.</p> <p>The proceeds of the Bonds will be used to establish an irrevocable escrow to: (i) call, pay and redeem on June 1, 2017, all of the Refunded Bonds at a price of par, plus accrued interest to June 1, 2017; and (ii) pay the administrative costs of the refunding and the costs related to the issuance, sale and delivery of the Bonds (the "Refunding Plan")</p>	4%-4%	\$7,010,000

The annual debt services requirements to maturity are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
Years	Principal			
2016	\$1,265,000	\$0	\$340,000	\$925,000
2017	\$1,225,000	\$0	\$340,000	\$885,000
2018	\$1,260,000	\$0	\$340,000	\$920,000
2019	\$1,295,000	\$0	\$340,000	\$955,000
2020	\$1,345,000	\$0	\$0	\$1,345,000
2021-2025	\$7,585,000	\$0	\$0	\$7,585,000
2026-2030	\$6,695,000	\$0	\$0	\$6,695,000
2031-2035	\$6,280,000	\$0	\$0	\$6,280,000
2036-2038	\$2,945,000	\$0	\$0	\$2,945,000
Totals	\$29,895,000	\$0	\$1,360,000	\$28,535,000

B. Other Long-Term Liabilities

Long-term Debt Agreements:

ATEC Building Project –

The County has committed a total of \$2,800,000 to help fund the ATEC project on the Big Bend Community College property. The County has committed to fund the ATEC project with annual payments of One Hundred Forty Thousand (\$140,000) from sales and use tax revenues, for a twenty year (20) period. The first annual payment commenced in September of 1999 with the last committed payment to be made in September of 2019. As of fiscal year-end 2015, the County's liability of committed annual payments for the ATEC Building totaled \$560,000.

Wastewater Treatment Facility/Port of Moses Lake -

The County has committed a total of \$4,000,000 to help fund the building and operation of an Industrial Wastewater Treatment Facility on Port property. The County has committed to help fund the building of the Wastewater Treatment Facility with annual payment of Two Hundred Thousand dollars (\$200,000) from sales and use tax revenues, for a twenty year (20) period. The first annual payment commenced in July 1st, 1999 with annual payments made on January 1st. The last payment will be made January 1st, 2019. As of fiscal year-end 2015, the County's liability of committed annual payments for the Wastewater Treatment Facility totaled \$800,000.

Landfill Post Closure Liabilities:

In the Schedule of Long Term Liabilities (Schedule 9), landfill closure and post-closure costs are in 2014 dollars and assume a full build-out of Cell-2 landfill, with closure costs beginning in 2029 and post closure expenses beginning in 2030.

In July of 2013, the County received an updated estimate for its' Post Closure Cost liability related to the County's Solid Waste landfill cell number one which was closed in 2009. Due to the discovery of contaminated groundwater beneath the closed landfill cell number one, the County has been informed that its' Post Closure Cost Liability is likely to increase significantly from what was reported as of fiscal year-end 2012. The County used the most current actuary data available to report the estimated Post Closure Cost Liabilities as of December 31, 2012. However, subsequent to year-end the County received an updated projection of the County's future estimated Post Closure Costs for the County's landfill cell number one. The newly obtained Post Closure Cost report, provided by the County's landfill closure monitoring consultant, indicates that the County's present value total Post Closure Costs as of the year-end 2015 is estimated at \$6,938,000 over the next 27 years.

Note 7 – Pension Plans

Substantially all county full-time and qualifying part-time employees participate in one of the following statewide retirement systems 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 (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2015, the county proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.004888%	255,688
PERS 1 UAAL	0.188700%	9,870,765
PERS 1 PW	0.003441%	179,996
PERS 1 UAAL PW	0.049808%	2,605,422
PERS 2/3	0.228267%	8,156,110
PERS 2/3 PW	0.064323%	2,298,297
PSERS 2	0.470640%	85,901
LEOFF 1	0.028598%	(344,669)
LEOFF 2	0.159725%	(1,641,654)

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 legislation. 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.

A. Post-Retirement Benefits

In addition to the pension benefits described in this section, the County provides post-retirement benefits, in accordance with State statutes to all LEOFF 1 retirees. The County pays for the LEOFF 1 retirees' medical insurance premium and reimburses them for all medical costs not covered by insurance. Expenditures for post-retirement benefits are recognized on a "pay as you go basis" by the fund for which the employee worked prior to retirement. In 2015, the county spent \$70,123.67 in medical expenses for 19 LEOFF-1 retired members.

NOTE 8 – RISK MANAGEMENT

Grant County is a member of the Washington Rural Counties Insurance Pool. 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 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 Inter-local Cooperation Act. The pool was formed on September 1, 1998 when 3 counties in the State of Washington joined together by signing an Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Eight counties have joined the pool.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Employment Practices Liability and Public Entity Management Liability is on a "claims made basis". All other coverage is on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: property, equipment breakdown, crime, and several types of liability coverage.

The pool acquires liability insurance through their Risk Pool Administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$45,000,000 with a self-insured retention of \$50,000. Grant County is responsible for the first \$1,000 to \$10,000 of this amount with the pool bearing the responsibility of the remaining \$45,000 to \$49,000. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the remaining portion of the deductible. The pool also purchases a Stop Loss with a limit of \$731,000 to cap the total claims paid by the pool in any one year.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Grant County is responsible for the first \$10,000 per occurrence deductible. The pool bears the \$25,000 self-insured retention in addition to the deductible.

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

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

The pool is governed by an eight-member Board of Directors elected by each member's designated voting representative. It is felt the individual counties are best able to select their own representatives to manage their insurance association. The pool has no employees, but has contracted with Clear Risk Solutions, previously Canfield and Associates, to perform the daily administration of the pool, including underwriting, brokerage, account education, risk management, and claims administration. Fees paid to the third party administrator under this arrangement for the policy year beginning December 1, 2014, and ending December 1, 2015, were \$1,007,440.93.

NOTE 9 JOINT VENTURE:

In 1995, Grant County, City of Ephrata, and the City of Moses Lake into an Inter-local Cooperative Agreement under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of their powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility they named Multi Agency Communications Center (MACC). MACC serves as the Public Safety Answering Point for all of the law enforcement agencies in Grant County. Grant County will account for MACC as an Agency fund and financial reports can be obtained for MACC at the Grant County Auditor's Office, 37 C ST NW Ephrata, Washington, 98823.

Note 10 - Other Disclosures

Possible Additional Liabilities:

Grant County is named as defendant in a few legal actions. Although the outcomes of these lawsuits are not presently known, the County is of the opinion that the present insurance policy and reserves are adequate to cover the potential settlements without adversely affecting the financial viability of the County.

Grant County participates in several federal and state grant programs. These grants are subject to an annual audit examination which includes compliance with granting agency terms and provisions, and with pertinent federal and state regulations. Failure to adequately comply with these provisions could result in a requirement to repay funds to the granting agency. Disallowed expenditures cannot be determined at this time, although it is expected that such amounts, if any, to be immaterial.

Consolidation of Funds:

To comply with GASB 54 fund reporting requirements, the County included the Beginning and Ending fund balance and all Revenue and Expenditure transaction of 11 Special Revenue funds that are accounted for separately in managerial funds.

Prior Period Adjustments

At the end of 2015, the County identified several variances between the County's reported year-end Fund balances and the amount of cash and investments held by the County Treasurer for the following funds: General Fund debit \$177,669.44, County Roads credit \$61,180.75, Mental Health debit \$58.19, PARC credit \$1,446.93, Law & Justice debit \$.09, Developmental Disability credit \$13,257.28, New Hope debit \$4,981.90, Emergency Communications credit \$10,943.37, Building Department credit \$5,885.66, Grants Management debit \$68,371.34, Bond Construction debit \$37.26, Solid Waste credit \$6,304.79, Inter-fund Benefits credit \$10,615.76, Unemployment Comp. credit \$2,324.56, Technology Services credit \$16,141.81, Quadrennial debit \$1284.08, Equipment Rental credit \$44,746.60, Pits & Quarries debit \$24,345.16. Prior period adjustments were needed to reconcile the County's reported year-end Fund balances with the County Treasurers' Cash and Investment balances for each fund.

Related Parties:

Noxious Weed Board:

The Grant County Noxious Weed Board is a separate governmental entity. Grant County's financial reports do not reflect any of the Noxious Weed Boards' financial activities. Grant County provides fiscal services for Noxious Weed Board including collecting, holding and investing all of Noxious Weed Board's funds, The County also processes the Noxious Weed Boards' Account Payables and Payroll. The day to day operations of the Noxious Weed Board are carried out by the County Weed Coordinator under the direction of a County Commission appointed Board of Directors. The Weed Board is granted its authority within Washington State Law R.C.W. 17.10. The Weed Board has directed the Noxious Weed Department Staff to carry out R.C.W. 17.10 Laws using a combination of education and enforcement to control noxious weeds on their private or agency property.

Subsequent Disclosure:

NEW BOND (2016)

Authorization

The Bonds will be issued pursuant to the provisions of the Constitution and laws of the State of Washington, particularly chapters 36.67, 39.36, and 39.46 RCW and Resolution No. 16-009-cc (the "Resolution"), adopted by the Board of County Commissioners (the "Board") on February 1, 2016.

PURPOSE AND USE OF PROCEEDS

The proceeds of the Bonds will be used to pay costs of certain courthouse upgrades, modernization and historical preservation and improvements to the juvenile detention facility of the County (the "Project"), and to pay the costs of issuance and sale of the Bonds.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	LTGO BOND 2007 (FAIR)	12/31/2027	8,935,000	-	7,860,000	1,075,000
251.11	LTGO BOND 2010 (MACC)	12/31/2014	8,190,000	-	370,000	7,820,000
251.11	LTGO BOND 2014 (MACC)	12/1/2038	7,485,000	-	-	7,485,000
251.11	LTGO REFUNDING BONDS 2015	12/1/2027	-	7,010,000	-	7,010,000
263.81	ATEC PROJECT	1/1/2019	700,000	-	140,000	560,000
263.81	PROCESS WATER SYSTEMS/PORT OF MOSES LAKE	1/1/2019	1,000,000	-	200,000	800,000
Total General Obligation Debt/Liabilities:			26,310,000	7,010,000	8,570,000	24,750,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2015	3,295,124	-	859,174	2,435,950
263.22	LIABILITIES FOR LANDFILL CLOSURE AND POST CLOSURE	12/31/2043	9,012,183	-	1,005,283	8,006,900
264.30	Net Pension Liability		-	23,452,179	-	23,452,179
Total Revenue and Other (non G.O.) Debt/Liabilities:			12,307,307	23,452,179	1,864,457	33,895,029
Total Liabilities:			38,617,307	30,462,179	10,434,457	58,645,029

Grant 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		
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture	School Breakfast Program	10.553	13-165-9778	-	8,989	8,989	-	1
Food And Nutrition Service, Department Of Agriculture	National School Lunch Program	10.555	13-165-9778	-	14,199	14,199	-	1
Total Child Nutrition Cluster:				-	23,188	23,188	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15-62210-005/14-65400-005	-	83,044	83,044	-	1
Dept. of Justice/WSP	Marijuana Eradication	16.000	K11049	-	20,000	20,000	-	3
Violence Against Women Office, Department Of Justice	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	N/A	-	19,074	19,074	-	1
Office For Victims Of Crime, Department Of Justice	Crime Victim Assistance	16.575	1463-15964/1563-38668	-	61,938	61,938	-	1
Office For Victims Of Crime, Department Of Justice	Crime Victim Assistance	16.575	15-31310-165/15-31119-057	-	139,395	139,395	-	1
Total CFDA 16.575:				-	201,333	201,333	-	
Violence Against Women Office, Department Of Justice	Violence Against Women Formula Grants	16.588	MULTIPLE	-	46,907	46,907	-	1
Violence Against Women Office, Department Of Justice	Violence Against Women Formula Grants	16.588	F14-311003-012	-	8,145	8,145	-	1,2
Total CFDA 16.588:				-	55,052	55,052	-	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	N/A	-	29,715	29,715	-	1
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015 DJ BX 0040/2014 DJ BX 0692	-	21,967	21,967	-	1
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-08/M13-31440-008	-	74,849	74,849	-	1
Total CFDA 16.738:				-	96,816	96,816	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	MULTIPLE	-	2,793,192	2,793,192	-	1,2
Total Highway Planning and Construction Cluster:				-	2,793,192	2,793,192	-	
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation	State and Community Highway Safety	20.600	N/A	-	17,388	17,388	-	1
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation	National Priority Safety Programs	20.616	N/A	-	1,385	1,385	-	1
Total Highway Safety Cluster:				-	18,773	18,773	-	
Department Of Energy	Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	E15-059	-	76,259	76,259	-	1
U.s. Election Assistance Commission	Help America Vote Act Requirements Payments	90.401	G-2838	-	18,270	18,270	-	1

The accompanying notes are an integral part of this schedule.

Centers For Disease Control And Prevention, Department Of Health And Human Services	Injury Prevention and Control Research and State and Community Based Programs	93.136	15-31310-165/16-31310-165	-	6,280	6,280	-	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1563-42476	-	41,196	41,196	-	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	14MH1701	-	206,631	206,631	-	1
Total CFDA 93.243:				-	247,827	247,827	-	
Office Of The Secretary, Department Of Health And Human Services	Pregnancy Assistance Fund Program	93.500	N/A	-	7,251	7,251	-	1
Administration For Children And Families, Department Of Health And Human Services	Child Support Enforcement	93.563	2110-80558	-	91,872	91,872	-	1
Administration For Children And Families, Department Of Health And Human Services	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	1463-15964/1563-38668	-	44,903	44,903	-	1
Medicaid Cluster								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DSHS)	Medical Assistance Program	93.778	1563-47065	120,156	-	120,156	-	
Total Medicaid Cluster:				120,156	-	120,156	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Block Grants for Community Mental Health Services	93.958	13MHBG1567/15M HBG1805	-	166,417	166,417	-	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43725	-	109,504	109,504	-	1
Department Of Homeland Security (via Grant County)	Boating Safety Financial Assistance	97.012	N/A	20,568	-	20,568	20,568	1
Department Of Homeland Security (via Grant County)	Emergency Food and Shelter National Board Program	97.024	N/A	6,385	-	6,385	6,385	1
Department Of Homeland Security (via Grant County)	Emergency Management Performance Grants	97.042	E15-074	35,089	-	35,089	35,089	1
Department Of Homeland Security (via Grant County)	Homeland Security Grant Program	97.067	E14-150	283,674	-	283,674	356,157	1
Total Federal Awards Expended:				465,872	4,108,773	4,574,645	418,199	

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards
January 1, 2015 through December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

The County uses single-entry, cash basis accounting which is a departure 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.

NOTE 2 – PROGRAM COSTS

The amount shown as current year expenditures represent only federal portion of program costs. Actual program cost, including the County's portion, may be more than shown.

NOTE 3 – NOTAPPLICABLE (N/A)

The County was unable to obtain a more accurate identification number.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$418,199.38 that was passed through to a sub-recipient that administered its own project.

Note 5 – INDIRECT COST RATE

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

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Grant County January 1, 2015 through December 31, 2015

This schedule presents the corrective action planned by the auditee for findings reported in this report 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). The information in this schedule is the representation of the Grant County.

Finding ref number: 2015-001	Finding caption: The County's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.
Name, address, and telephone of auditee contact person: Michele Jaderlund, County Auditor P.O. Box 37 Ephrata, WA 98823 (509) 754-2011 ext: 2733	
Corrective action the auditee plans to take in response to the finding: <i>The Accounting Department experienced turnover in key accounting staff in April 2016, with no cross training available from the previous employee in that position. Due to time constraints, training on the BARS codes was not immediately available to the new staff. The prior employee who had been responsible for the financial statement preparation had not completed any of the preliminary work necessary for the financial statement filing and no instructions, notes or workpapers were available as a resource for the new staff in preparing the 2015 financial statement. The new staff hired at the end of April 2016 subsequently received training on the BARS codes and grant reporting prior to the end of 2016 and ongoing training and cross-training, as appropriate, will continue for all Accounting staff. Additionally, the Auditor and Accounting Department are working with all County departments to ensure that all BARS codes being used are valid in accordance with the BARS Manual and to inactivate all old and invalid accounts so that they are not posted to in error.</i> <i>An adequate secondary review of the 2015 financial statements and notes was not performed as a result of the employee who was responsible for the 2015 financial statement and annual audit preparation left County employment in April. This previous employee had not completed any preliminary work necessary for the financial statement filing and had not ensured that all funds/accounts had been reconciled and balanced to the Treasurer. Due to the timing of the previous employees' departure, the hiring of the new staff with no cross-training, being</i>	

short-staffed in the Accounting Department and no instructions, notes or workpapers to follow in preparing the 2015 financial statement, a thorough and adequate review of the financial statements and notes was not completed. As the new staff has had adequate training in 2016, gained experience and has prepared complete reconciliations of all funds/accounts to the Treasurer, a complete secondary review has been performed on the 2016 financial statements.

During 2015, not all transactions were reviewed by a second person in the Accounting Department or by the Auditor for accuracy, reasonableness and supporting documentation. A new Chief Accountant was hired in April 2016 and a new process was implemented in May 2016 which requires all journal entries to be reviewed and signed by a second person in the Accounting Department or by the Auditor. Additionally, transfer forms have been modified to include the amounts being transferred for each fund, the journal entry number, the date posted, who posted it and when it was sent to the Treasurer's office for posting. Other forms have also been modified to ensure that all pertinent information is easily identified and the person who posted the transaction initials and dates the document.

Due to time constraints and staff turnover not only in the Accounting Department, but also in the two departments that recorded financial activity on an accrual basis, the conversion from accrual basis to cash basis was not communicated and therefore was not completed for the 2015 financial statements. As the former employee who was responsible for the 2015 financial statement preparation left the County's employment in April, 2015 without having completed any of the preliminary work for the 2015 financial statement filing and without leaving any instructions, workpapers or notes the new staff was not aware that this conversion was required. This has been corrected for the 2016 annual report and will continue in the future for the remaining department that records financial activity on an accrual basis.

Misclassification of reserved and unreserved fund balances were a result of following the same method used on previously submitted annual reports filed by Grant County which were not deemed to be misclassified during prior annual audits. The 2016 annual report has been corrected to accurately reflect the reserved and unreserved balances as a result of this and the notes to the financials have been updated to reflect why accounts are reserved.

Anticipated date to complete the corrective action:

All corrective actions have been completed as of 12/31/16.

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov