



Office of the Washington State Auditor
Pat McCarthy

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

For the period January 1, 2016 through December 31, 2016

Published September 18, 2017

Report No. 1019838





Office of the Washington State Auditor
Pat McCarthy

September 18, 2017

Board of Commissioners
Adams County
Ritzville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Adams 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

Adams County January 1, 2016 through December 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the County.

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the County's compliance with requirements applicable to its major federal program.

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

Identification of Major Federal Programs:

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

| <u>CFDA No.</u> | <u>Program or Cluster Title</u> |
|-----------------|-----------------------------------|
| 20.205 | 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

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Adams County
January 1, 2016 through December 31, 2016**

Board of Commissioners
Adams County
Ritzville, 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 Adams County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated August 17, 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.

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

August 17, 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**

**Adams County
January 1, 2016 through December 31, 2016**

Board of Commissioners
Adams County
Ritzville, Washington

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

We have audited the compliance of Adams 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, 2016. 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, 2016.

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

August 17, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Adams County **January 1, 2016 through December 31, 2016**

Board of Commissioners
Adams County
Ritzville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Adams County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Adams 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 Adams County, for the year ended December 31, 2016, 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 Adams County, as of December 31, 2016, 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 August 17, 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.



Pat McCarthy

State Auditor

Olympia, WA

August 17, 2017

FINANCIAL SECTION

Adams County January 1, 2016 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to the Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016

Adams County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

| | | Total for All Funds (Memo Only) | 001 Current Expense | 103 E911 |
|---|----------------------------------|--|--------------------------------|-----------------|
| Beginning Cash and Investments | | | | |
| 30810 | Reserved | 10,618,836 | 202,883 | 452,362 |
| 30880 | Unreserved | 6,647,920 | 3,043,881 | - |
| 388 / 588 | Prior Period Adjustments, Net | 150 | - | - |
| Revenues | | | | |
| 310 | Taxes | 7,409,093 | 4,633,334 | 456,202 |
| 320 | Licenses and Permits | 170,563 | 94,705 | - |
| 330 | Intergovernmental Revenues | 10,756,390 | 805,843 | 516,040 |
| 340 | Charges for Goods and Services | 3,421,880 | 663,341 | 26,411 |
| 350 | Fines and Penalties | 916,196 | 914,718 | - |
| 360 | Miscellaneous Revenues | 2,720,754 | 423,511 | 8,220 |
| Total Revenues: | | 25,394,876 | 7,535,453 | 1,006,872 |
| Expenditures | | | | |
| 510 | General Government | 4,957,002 | 3,510,360 | - |
| 520 | Public Safety | 3,961,683 | 2,863,128 | 772,370 |
| 530 | Utilities | 1,028,218 | - | - |
| 540 | Transportation | 7,265,798 | - | - |
| 550 | Natural and Economic Environment | 641,784 | 259,965 | - |
| 560 | Social Services | 2,480,850 | 43,763 | - |
| 570 | Culture and Recreation | 284,965 | 133,800 | - |
| Total Expenditures: | | 20,620,301 | 6,811,016 | 772,370 |
| Excess (Deficiency) Revenues over Expenditures: | | 4,774,575 | 724,437 | 234,502 |
| Other Increases in Fund Resources | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - |
| 397 | Transfers-In | 918,902 | 154,253 | - |
| 385 | Special or Extraordinary Items | - | - | - |
| 386 / 389 | Custodial Activities | 4,222 | (478) | - |
| 381, 395, 398 | Other Resources | 55,615 | 21,500 | - |
| Total Other Increases in Fund Resources: | | 978,739 | 175,275 | - |
| Other Decreases in Fund Resources | | | | |
| 594-595 | Capital Expenditures | 3,315,572 | 18,184 | 211,747 |
| 591-593, 599 | Debt Service | 222,359 | 36,253 | - |
| 597 | Transfers-Out | 918,902 | 674,103 | - |
| 585 | Special or Extraordinary Items | - | - | - |
| 586 / 589 | Custodial Activities | 6,325 | - | - |
| 581 | Other Uses | - | - | - |
| Total Other Decreases in Fund Resources: | | 4,463,158 | 728,540 | 211,747 |
| Increase (Decrease) in Cash and Investments: | | 1,290,156 | 171,172 | 22,755 |
| Ending Cash and Investments | | | | |
| 5081000 | Reserved | 11,397,783 | 203,824 | 475,117 |
| 5088000 | Unreserved | 7,159,279 | 3,214,112 | - |
| Total Ending Cash and Investments | | 18,557,062 | 3,417,936 | 475,117 |

The accompanying notes are an integral part of this statement.

| 104 IHCS | 105 Criminal Justice | 106 Emergency Services | 107 Veterans Services | 108 Fair | 109 Law Library |
|------------------|-----------------------------|-------------------------------|------------------------------|-----------------|------------------------|
| 2,067,613 | 1,125,539 | 9,196 | 20,163 | 4,955 | 1,494 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 10,885 | 162,575 | - | 16,099 | - | - |
| 75,289 | - | - | - | - | - |
| 1,960,716 | 749,065 | 58,491 | 2 | 36,250 | - |
| 71,737 | - | - | - | 133 | 6,349 |
| - | - | - | - | - | - |
| 11,890 | 5,765 | - | 41 | 30,268 | - |
| 2,130,517 | 917,405 | 58,491 | 16,142 | 66,651 | 6,349 |
| - | 447,500 | - | - | - | - |
| - | 162,345 | 103,404 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,136,104 | - | - | 3,494 | - | - |
| - | - | - | - | 142,108 | 5,971 |
| 2,136,104 | 609,845 | 103,404 | 3,494 | 142,108 | 5,971 |
| (5,587) | 307,560 | (44,913) | 12,648 | (75,457) | 378 |
| - | - | - | - | - | - |
| 50,000 | - | 45,723 | - | 100,000 | - |
| - | - | - | - | - | - |
| - | - | - | - | 4,700 | - |
| - | - | - | - | - | - |
| 50,000 | - | 45,723 | - | 104,700 | - |
| 43,825 | 28,666 | - | - | - | - |
| - | - | - | - | - | - |
| - | 118,213 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 6,325 | - |
| - | - | - | - | - | - |
| 43,825 | 146,879 | - | - | 6,325 | - |
| 588 | 160,681 | 810 | 12,648 | 22,918 | 378 |
| 2,068,201 | 1,286,221 | 10,006 | 32,811 | 27,873 | 1,871 |
| - | - | - | - | - | - |
| 2,068,201 | 1,286,221 | 10,006 | 32,811 | 27,873 | 1,871 |

The accompanying notes are an integral part of this statement.

| 110 Paths and Trails | 111 Regional Landfill Settlement | 112 Jail Inmate Welfare | 113 Education Support | 114 Treasurers O & M | 115 County Road |
|-----------------------------|---|--------------------------------|------------------------------|---------------------------------|------------------------|
| 59,506 | 246,897 | 128,938 | 10,943 | 9,981 | 5,014,385 |
| - | - | - | - | - | - |
| - | - | - | - | - | 150 |
| - | - | - | - | - | 1,687,788 |
| - | - | - | - | - | 569 |
| 21,429 | - | - | - | - | 6,381,579 |
| - | - | 23,756 | - | 4,048 | 25,260 |
| - | - | - | - | - | - |
| - | 31,098 | 6,953 | - | - | 3,515 |
| 21,429 | 31,098 | 30,708 | - | 4,048 | 8,098,711 |
| - | - | - | - | 5,444 | 39,601 |
| - | - | 17,378 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 5,063,857 |
| - | 7,500 | - | - | - | - |
| - | 15,000 | - | - | - | - |
| - | 3,000 | - | 86 | - | - |
| - | 25,500 | 17,378 | 86 | 5,444 | 5,103,458 |
| 21,429 | 5,598 | 13,331 | (86) | (1,396) | 2,995,253 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 2,439,624 |
| - | - | - | - | - | - |
| - | - | - | - | - | 75,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 2,514,624 |
| 21,429 | 5,598 | 13,331 | (86) | (1,396) | 480,629 |
| 80,934 | 252,495 | 142,268 | 10,857 | 8,585 | 5,495,164 |
| - | - | - | - | - | - |
| 80,934 | 252,495 | 142,268 | 10,857 | 8,585 | 5,495,164 |

The accompanying notes are an integral part of this statement.

| 116 Auditor's O & M | 117 Developmental Disability | 119 Trial Ct Improvement | 120 Tourism Enhancement | 122 Distressed Co/Pub Facilities | 123 Low Income Housing |
|--------------------------------|-------------------------------------|---------------------------------|--------------------------------|---|-------------------------------|
| 53,567 | 52,199 | 9,016 | 7,347 | 702,285 | 215,349 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 40,106 | - | 1,100 | 280,896 | - |
| - | - | - | - | - | - |
| 45,476 | 90,993 | 22,669 | - | - | - |
| 6,453 | 47,688 | - | - | - | 77,428 |
| - | - | - | - | - | - |
| - | 3,934 | 62 | - | 3,401 | - |
| 51,929 | 182,721 | 22,731 | 1,100 | 284,297 | 77,428 |
| 56,831 | - | 13,569 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 226,815 | - |
| - | 216,286 | - | - | - | 66,204 |
| - | - | - | - | - | - |
| 56,831 | 216,286 | 13,569 | - | 226,815 | 66,204 |
| (4,902) | (33,565) | 9,162 | 1,100 | 57,482 | 11,224 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,098 | - | - | 1,985 | 527 | - |
| - | - | - | - | - | - |
| - | - | - | - | 8,586 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,098 | - | - | 1,985 | 9,113 | - |
| (6,000) | (33,565) | 9,162 | (885) | 48,369 | 11,224 |
| 47,567 | 18,634 | 18,179 | 6,462 | 750,653 | 226,573 |
| - | - | - | - | - | - |
| 47,567 | 18,634 | 18,179 | 6,462 | 750,653 | 226,573 |

The accompanying notes are an integral part of this statement.

| 130 Drug Enforcement | 131 RSO Addr Verif | 135 Crime Victims Compansation | 136 Domestic Violence Prevention | 137 Domestic Violence Assessment | 166 Noxious Weed |
|----------------------|--------------------|--------------------------------|----------------------------------|----------------------------------|------------------|
| 60,355 | 67,246 | 21,988 | 2,313 | 7,883 | 64,433 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 38,464 | - | - | - | - |
| 1,754 | - | 22,905 | 143 | - | 2,445 |
| 831 | - | - | - | 647 | - |
| 8,471 | 192 | - | - | - | 171,243 |
| 11,055 | 38,656 | 22,905 | 143 | 647 | 173,688 |
| - | - | - | - | - | - |
| 10,770 | 32,289 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 147,504 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 10,770 | 32,289 | - | - | - | 147,504 |
| 286 | 6,367 | 22,905 | 143 | 647 | 26,184 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,306 | 1,956 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 43,000 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,306 | 1,956 | 43,000 | - | - | - |
| (2,020) | 4,411 | (20,095) | 143 | 647 | 26,184 |
| 58,334 | 71,657 | 1,893 | 2,457 | 8,530 | 90,616 |
| - | - | - | - | - | - |
| 58,334 | 71,657 | 1,893 | 2,457 | 8,530 | 90,616 |

The accompanying notes are an integral part of this statement.

| 210 Debt Service | 301 Rodeo Lake | 321 Capital Improvement | 322 Capital Projects | 323 Real Estate Tech | 324 Econ Dev Cap Proj |
|-------------------------|-----------------------|--------------------------------|-----------------------------|-----------------------------|------------------------------|
| - | - | - | - | - | - |
| 54 | 5,469 | 255,682 | 494,892 | 99,841 | 115,536 |
| - | - | - | - | - | - |
| - | - | 120,107 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 9,976 | - |
| - | - | - | - | 1,918 | - |
| - | - | - | - | - | - |
| - | - | 1,724 | 1,941 | - | 524 |
| - | - | 121,832 | 1,941 | 11,893 | 524 |
| - | - | - | - | 1,057 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 1,057 | - |
| - | - | 121,831 | 1,941 | 10,837 | 524 |
| - | - | - | - | - | - |
| 186,106 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 186,106 | - | - | - | - | - |
| - | - | 1,862 | 26,361 | - | - |
| 186,106 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 186,106 | - | 1,862 | 26,361 | - | - |
| 0 | - | 119,969 | (24,420) | 10,837 | 524 |
| - | - | - | - | - | - |
| 54 | 5,469 | 375,652 | 470,472 | 110,677 | 116,060 |
| 54 | 5,469 | 375,652 | 470,472 | 110,677 | 116,060 |

The accompanying notes are an integral part of this statement.

| 401 Solid Waste | 501 Couthouse O & M | 502 Central Services | 590 Intergov Services |
|------------------------|------------------------------------|---------------------------------|----------------------------------|
| - | - | - | - |
| 1,607,113 | 37,083 | 58,419 | 929,951 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 19,398 | - | - | - |
| 1,283,220 | - | 479,352 | 677,540 |
| - | - | - | - |
| 25,284 | 68,468 | 9,165 | 1,905,083 |
| 1,327,902 | 68,468 | 488,518 | 2,582,623 |
| - | 451,172 | 430,146 | 1,321 |
| - | - | - | - |
| 1,028,218 | - | - | - |
| - | - | - | 2,201,941 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 1,028,218 | 451,172 | 430,146 | 2,203,262 |
| 299,684 | (382,704) | 58,371 | 379,361 |
| - | - | - | - |
| - | 382,820 | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 34,115 |
| - | 382,820 | - | 34,115 |
| 128,635 | - | 27,592 | 381,203 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 128,635 | - | 27,592 | 381,203 |
| 171,049 | 116 | 30,779 | 32,273 |
| - | - | - | - |
| 1,778,163 | 37,199 | 89,198 | 962,224 |
| 1,778,163 | 37,199 | 89,198 | 962,224 |

The accompanying notes are an integral part of this statement.

Adams County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

| | Total for All Funds (Memo Only) | 601 Treas Trust | 639 County Insurance | 641 Real Estate |
|--|--|------------------------|---------------------------------|------------------------|
| 308 Beginning Cash and Investments | 425,077 | 24,140 | 3,585 | 6,771 |
| 388 & 588 Prior Period Adjustments, Net | - | - | - | - |
| 310-360 Revenues | - | - | - | - |
| 380-390 Other Increases and Financing Sources | 6,367,998 | 64,366 | 1,542,132 | 1,019,511 |
| 510-570 Expenditures | - | - | - | - |
| 580-590 Other Decreases and Financing Uses | 6,285,543 | 62,969 | 1,542,349 | 964,372 |
| Net Increase (Decrease) in Cash and Investments: | 82,455 | 1,397 | (217) | 55,139 |
| 508 Ending Cash and Investments | 507,532 | 25,537 | 3,369 | 61,911 |

| | 643 Treasurers | 644 State Tax | 673 State General | 699 Trust Accounts |
|--|-----------------------|----------------------|--------------------------|-------------------------------|
| 308 Beginning Cash and Investments | 91,811 | 101 | 88,207 | 210,461 |
| 388 & 588 Prior Period Adjustments, Net | - | - | - | - |
| 310-360 Revenues | - | - | - | - |
| 380-390 Other Increases and Financing Sources | 35,919 | 48,444 | 1,245,215 | 2,412,410 |
| 510-570 Expenditures | - | - | - | - |
| 580-590 Other Decreases and Financing Uses | - | 48,738 | 1,246,391 | 2,420,724 |
| Net Increase (Decrease) in Cash and Investments: | 35,919 | (294) | (1,176) | (8,314) |
| 508 Ending Cash and Investments | 127,731 | (194) | 87,031 | 202,148 |

The accompanying notes are an integral part of this statement.

Adams County
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

Adams County was incorporated in 1883 and operates under the laws of the state of Washington applicable to a second class county with a commissioner form of government. The county is a general purpose local government and provides public safety, road improvement, 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 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.

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 and Measurement Focus

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

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

C. Budgets

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

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

| Fund number | Fund name | budget | expenditures | ending balance |
|--------------------|-----------------------------------|---------------------|---------------------|-----------------------|
| 001 | Current Expense | | | |
| 001/005 | Commissioners | 285,246.00 | 276,893.69 | 8,352.31 |
| 001/010 | Superior Court | 283,678.00 | 268,248.71 | 15,429.29 |
| 001/015 | Ritzville District Ct | 307,326.00 | 282,464.79 | 24,861.21 |
| 001/016 | Othello District Ct | 286,318.00 | 280,728.13 | 5,589.87 |
| 001/020 | Board of Equalization | 6,650.00 | 3,756.21 | 2,893.79 |
| 001/023 | Auditor | 402,431.00 | 352,201.03 | 50,229.97 |
| 001/025 | Clerk | 179,759.00 | 171,649.67 | 8,109.33 |
| 001/030 | Treasurer | 277,050.00 | 268,194.75 | 8,855.25 |
| 001/040 | Assessor | 368,541.00 | 362,361.46 | 6,179.54 |
| 001/045 | Prosecuting Attorney | 651,617.00 | 633,920.67 | 17,696.33 |
| 001/046 | Support Enforcement | 189,186.00 | 154,438.17 | 34,747.83 |
| 001/050 | Civil Service | 2,950.00 | 429.35 | 2,520.65 |
| 001/055 | Human Resources | 117,300.00 | 12,914.09 | 104,385.91 |
| 001/060 | Leoff | 48,000.00 | 46,868.06 | 1,131.94 |
| 001/065 | Police Ops | 1,852,702.00 | 1,851,787.75 | 914.25 |
| 001/070 | Care & Custody | 690,529.00 | 594,757.56 | 95,771.44 |
| 001/085 | Juvenile | 447,751.00 | 423,570.22 | 24,180.78 |
| 001/087 | Planning & Building | 275,011.00 | 259,964.93 | 15,046.07 |
| 001/090 | Coroner | 29,200.00 | 23,230.00 | 5,970.00 |
| 001/095 | Agent | 135,210.00 | 133,799.85 | 1,410.15 |
| 001/099 | Non Departmental | 1,169,520.00 | 1,097,723.35 | 71,796.65 |
| Total | Current Expense | 8,005,975.00 | 7,499,902.44 | 506,072.56 |
| 0012 | Current Expense Reserve | 150,000.00 | 0.00 | 150,000.00 |
| 0013 | GO Bond | 36,300.00 | 36,253.04 | 46.96 |
| 0014 | Employee Liability | 0.00 | 0.00 | 0.00 |
| 0015 | Juvenile Detention Alt | 10,000.00 | 3,399.99 | 6,600.01 |
| Total | Current Expense plus manag | 8,052,275.00 | 7,539,555.47 | 512,719.53 |
| 103 | Enhanced 911 | 1,275,682.00 | 984,117.33 | 291,564.67 |
| 104 | Integrated Health | 2,262,949.00 | 2,179,929.53 | 83,019.47 |
| 105 | Criminal Justice | 765,840.00 | 756,723.35 | 9,116.65 |
| 106 | Emergency Management | 106,296.00 | 103,403.91 | 2,892.09 |
| 107 | Veterans Relief | 11,300.00 | 3,493.82 | 7,806.18 |
| 108 | Fair | 175,742.00 | 142,108.06 | 33,633.94 |
| 109 | Law Library | 7,000.00 | 5,971.30 | 1,028.70 |
| 110 | Paths & Trails | 35,750.00 | 0.00 | 35,750.00 |
| 111 | Regional Landfill Settlement | 260,212.00 | 25,500.00 | 234,712.00 |
| 112 | Jail Inmate Welfare | 34,752.00 | 17,377.61 | 17,374.39 |

| | | | | |
|---------------------|----------------------------|----------------------|----------------------|---------------------|
| 113 | Education Support Programs | 8,634.00 | 86.00 | 8,548.00 |
| 114 | Treasurer's O & M | 10,000.00 | 5,443.51 | 4,556.49 |
| 115 | County Road | 10,875,175.00 | 7,618,082.30 | 3,257,092.70 |
| 116 | Auditor's O & M | 60,880.00 | 57,929.25 | 2,950.75 |
| 117 | Developmental Disability | 230,517.00 | 216,285.69 | 14,231.31 |
| 119 | Trial Court Improvement | 27,400.00 | 13,568.94 | 13,831.06 |
| 120 | Tourism Enhancement | 2,000.00 | 1,985.22 | 14.78 |
| 122 | Distressed Co/Pub Service | 244,002.00 | 235,928.16 | 8,073.84 |
| 123 | Low Income Housing | 130,600.00 | 66,204.07 | 64,395.93 |
| 130 | Drug Enforcement | 15,200.00 | 13,076.28 | 2,123.72 |
| 131 | RSO Address Verification | 38,117.00 | 34,244.84 | 3,872.16 |
| 135 | Crime Victims Compensation | 51,000.00 | 43,000.00 | 8,000.00 |
| 166 | Noxious Weed | 172,132.00 | 147,504.29 | 24,627.71 |
| 210 | Debt Service | 186,402.00 | 186,105.76 | 296.24 |
| 301 | Rodeo Lake | 4,500.00 | 0.00 | 4,500.00 |
| 321 | Capital Improvements | 75,000.00 | 1,861.81 | 73,138.19 |
| 322 | Capital Projects | 27,000.00 | 26,360.87 | 639.13 |
| 323 | R/E Technology | 1,450.00 | 1,057.49 | 392.51 |
| 324 | Econ Dev Cap Project | 100,000.00 | 0.00 | 100,000.00 |
| 401 | Solid Waste | 1,394,031.00 | 1,156,853.10 | 237,177.90 |
| 501 | Courthouse O & M | 449,856.00 | 451,172.37 | -1,316.37 |
| 502 | Central Services | 500,631.00 | 457,738.01 | 42,892.99 |
| 590 | IGS | 3,465,167.00 | 2,584,465.27 | 880,701.73 |
| Total County | | 31,057,492.00 | 25,077,133.61 | 5,980,358.39 |

Budgeted amounts are authorized to be transferred between object classes within departments; however, any revisions that alter the total expenditures of a department within the general fund, or total expenditures of the remaining funds 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's legislative body.

The county is not required to budget for an internal service fund, however it has been a practice to include all funds of the county within its budget document. The internal service fund for the Courthouse O&M exceeded appropriations in the comprehensive budget document however, the fund had a sufficient cash balance to support the expenditures.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

Capital Assets

Capital assets are assets with an initial individual cost of more than \$ 500 and an estimated useful life in excess of 10 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 36 days and is payable upon separation or retirement.

Courthouse Union, Jail Dispatchers Union & Non Union Employees: Sick leave may be accumulated up to 960 hours. One-half (1/2) of the accumulated sick leave is payable upon termination, retirement or death employees hired prior to January 1, 1983. Employees hired between January 1, 1983 and November 7, 1988 are paid for one-half (1/2) of their unused sick leave only upon retirement or death. Upon separation or retirement, employees hired after November 7, 1988 receive no sick leave payoff.

Sheriff's Association Employees: Sick leave may be accumulated up to 960 hours. Employees hired between Jan 1, 1983 and November 7, 1988 shall be paid for ½ of unused sick leave upon death or retirement. Any regular employee who shall die while employed by the County shall be paid 100% of unused sick leave.

Any regular employee who shall retire after 10 years of continuous employment can elect to be paid 25% of unused sick leave.

County Road Union Employees: Sick leave may be accumulated up to 1,440 hours. Effective January 1, 1992, no employee will receive buy out of their accrued sick leave upon termination of employment by way of retirement or death except as provided in this section. Employees hired prior to January 1, 1992, shall be entitled to payment for fifty (50%) of the sick leave they have accrued and retained prior to January 1, 1992, and up to a maximum cash out of sixty (60) days, and zero percent (0%) of the sick leave they have accrued on or after January 1, 1992 upon termination of employment by way of retirement or death.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Risk Management

Adams County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool

their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2016, Adams County selects a per-occurrence deductible of \$10,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2015-16, this “corridor” increased the SIR to \$2 million, but with an aggregated stop loss of \$3.45 million. Other reinsurance agreements respond to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2015-16, Adams County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP

annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

During 2015-16, the WCRP's assets decrease 4% to \$46.8 million while its liabilities increased slightly to \$29 million. The Pool's net position decreased slightly from \$18.9 million to \$17.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2016 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Board of 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:

| Reserved Fund Balances | End Bal | Reserved by: |
|---|--------------|---|
| 001D Employee Liability Reserve | \$203,824 | Co Res R-47-2010 |
| 103 Enhanced 911/E 911 Reserve | \$475,117 | State Grant Funding/ R03-09 Ordinance 3.44.20/R-17-2013 |
| 104 Integrated Health Services Criminal Justice/CJ Sales Tax | \$2,068,201 | Federal & State Grants/Reserve for Tuberculosis |
| 105 Reserve | \$1,286,221 | RCW 10.101/10.101.70 Co Resolution R34-94 |
| 106 Emergency Services | \$10,006 | State and Federal Grant Restricted Revenues |
| 107 Veterans Relief | \$32,811 | RCW 73.08.080 |
| 108 Fair | \$27,873 | County Contract |
| 109 Law Library | \$1,871 | RCW 27.24.068 |
| 110 Paths & Trails | \$80,934 | RCW 36.82 & 46.68 |
| 111 Regional Landfill | \$252,495 | Co Res R 43-94 |
| 112 Inmate Welfare | \$142,268 | Co Res R 40-97/WAC 289.22.200 |
| 113 Educational Sup Prog | \$10,857 | Co Res R 15-98 |
| 114 Treasurers O & M | \$8,585 | RCW 82.45.180 |
| 115 County Road | \$5,495,164 | Federal & State Grants |
| 116 Auditor's O & M | \$47,567 | RCW 36.22 |
| 117 Developmental Disability | \$18,634 | RCW 71.20.110 |
| 119 Trial Court Improvement | \$18,179 | RCW 43.08.250 |
| 120 Tourism Enhancement | \$6,462 | RCW 67.28.180 |
| 122 Distressed Co/Public Facilities | \$750,653 | RCW 82.14.370/Co Ordinance 3.15.050 |
| 123 Low Income Housing | \$226,573 | Co Res R 54-02 |
| 130 Drug Enforcement | \$58,334 | RCW 9.95.210 |
| 131 RSO Addr Verification | \$71,657 | Co Res R 06-12/RCW 9A.44.130 |
| 135 Crime Victims Comp | \$1,893 | RCW 10.82.070 |
| 136 Domestic Viol Prev | \$2,457 | RCW 10.99.080 |
| 137 Dom Viol Assessment | \$8,530 | RCW 10.99.080 |
| 166 Noxious Weed | \$90,616 | Restricted Revenue/Property Assessments |
| Total | \$11,397,783 | |

Note 2 – 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.

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

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

| <u>Type of Investment</u> | Adams County own investments | Investments held by Adams County as an agent for other local governments, individuals or private organizations. | Total |
|----------------------------|---------------------------------|--|-----------------|
| L.G.I.P. | \$14,971,758.61 | \$28,214,652.31 | \$43,186,410.92 |
| U.S. Government Securities | \$ 2,226,936.15 | \$18,256,491.29 | \$20,483,427.44 |
| Other: | \$ 1,069,865.98 | \$ 4,817,350.08 | \$ 5,887,216.06 |
| Total | \$18,268,560.74 | \$51,288,493.68 | \$69,557,054.42 |

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's regular levy for the year 2016 was \$1.800000 per \$1,000 on an assessed valuation of \$1,933,009,921 for a total regular levy of \$ 3,479,418.

The County Road's levy rate for 2016 was \$1.311460 per \$1,000 on all assessed valuation of \$1,296,557,798 for a total regular levy of \$1,700,384.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2017 | \$110,000 | \$ 57,500 | \$167,500 |
| 2018 | \$115,000 | \$ 51,875 | \$166,875 |
| 2019 | \$120,000 | \$ 46,000 | \$166,000 |
| 2020 | \$125,000 | \$ 39,875 | \$164,875 |
| 2021 | \$135,000 | \$ 33,375 | \$168,375 |
| 2022 – 2025 | \$600,000 | \$ 61,750 | \$661,750 |
| TOTALS | <u>\$ 1,205,000</u> | <u>\$ 290,375</u> | <u>\$ 1,495,375</u> |

Note 5 – Pension Plans

A. State Sponsored Pension Plans

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

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

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

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

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

At June 30, 2016, the county's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

| | Allocation % | Liability (Asset) |
|----------|--------------|-------------------|
| PERS 1 | 0.065633% | \$ 3,524,801 |
| PERS 2/3 | 0.077570% | \$ 3,905,588 |
| PSERS 2 | 0.096721% | \$ 41,104 |
| LEOFF 1 | 0.006172% | (\$63,589) |
| LEOFF 2 | 0.032988% | (\$191,868) |

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.

Other Pension Employee Benefit Programs

Per RCW 41.26.150, the County has a commitment to pay for post-employment benefits for employees who belong to LEOFF 1. These benefits include medical, long term care, vision and medications. The county has four (4) LEOFF 1 retirees who received benefits during the year and \$46,868.06 was paid out for those benefits during the year 2016.

Note 6 - Other Disclosures

Notice of Pending Claims – Adams County

Dean, David T.

Claim for Damages received 3/12/2015, of negligent infliction of emotional distress with a demand for compensation in the amount of \$150,000;

Occurrence Date: 05/23/2014;

Attorney Thomas R. Luciani, Bohrsen, Stocker, Smith, Luciani, PLLC, Spokane, Washington for Defendants;

Total Adams County exposure on this claim is \$10,000 deductible; and,

County deductible has paid \$95.00 to date

Olkowski, Paul J.

Claim for Damages received 6/29/2015, of injuries as a result of an automobile accident with a demand of \$10,000,000;

Occurrence Date: 04/06/2015;

Attorney Paul Kirkpatrick, Kirkpatrick& Startzel, P.S., Spokane, Washington for Defendants;

Total Adams County exposure on this claim is \$10,000 deductible; and,
County deductible has paid \$10,000.00 to date

Kerr, Marvin L, Sr.

Claim for Damages received 2/5/2016, of false arrest, excessive force, and emotional distress with a demand for compensation in the amount of \$500,000;

Occurrence Date: 3/10/2014 & 3/11/2014

Attorney Thomas R. Luciani, Bohrsen, Stocker, Smith, Luciani, PLLC, Spokane, Washington for Defendants;

Total Adams County exposure on this claim is \$10,000 deductible; and,
County deductible has paid \$939.88

Cantu, Gilberto

Claim for Damages received on 3/4/2016, of injuries due to excessive force (taser) with a demand of \$1,500,000;

Occurrence Date: 1/28/2014

Attorney Thomas R. Luciani, Bohrsen, Stocker, Smith, Luciani, PLLC, Spokane, Washington for Defendants;

Total Adams County exposure on this claim is \$10,000 deductible; and,
County deductible has paid \$1,224.88

Cantu, Gilberto

Claim for Damages received on 4/13/2016, excessive force, pain and suffering, emotional injuries with a demand of \$1,500,000;

Occurrence Date: 4/4/2015

Attorney Thomas R. Luciani, Bohrsen, Stocker, Smith, Luciani, PLLC, Spokane, Washington for Defendants;

Total Adams County exposure on this claim is \$10,000 deductible; and,
County deductible has paid \$712.65

Nystrom, Joanne

Claim for Damages received on 6/3/2016, injuries received in a motorcycle accident with a demand to be determined;

Occurrence Date: On or about July 14, 2013

Attorney Thomas R. Luciani, Bohrsen, Stocker, Smith, Luciani, PLLC, Spokane, Washington for Defendants;

Total Adams County exposure on the claim is \$10,000 deductible; and,
County deductible has paid \$10,000.00

Other Disclosures Continued

1. Joint Ventures

Martin Hall:

In 1996, the County entered into a joint venture with nine other Washington State counties for the construction and operation of Martin Hall, a juvenile detention facility located in Medical Lake, Washington. Property was leased from the State for 50 years beginning April 19, 1996, and ending March 31, 2046.

By law, adult and juvenile inmates must be separated. Adams County had basically no such capability of providing this type of separation, so were forced to transport any juvenile to another facility in the state that provided juvenile housing. All counties involved in the consortium have representation on the Martin Hall Board. The consortium contracts with a private organization to manage Martin Hall. Anyone who uses Martin Hall beds is charged a per-bed rate, so Adams County not only shares in the bonding of the venture but also contracts for bed usage for its juveniles who are sentenced to Martin Hall by the Superior Court of Adams County. The county was bonded in 1996 for this joint venture. Stevens County, Washington manages the bond payments and can be contacted directly for their financial statements. The final payment on the bond was paid in 2016.

Adams County
Schedule of Liabilities
For the Year Ended December 31, 2016

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|--|---|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | GO Bond Non Voted | 6/1/2025 | 1,320,000 | - | 115,000 | 1,205,000 |
| 251.11 | GO Bond Non Voted | 12/1/2016 | 34,692 | - | 34,692 | - |
| | Total General Obligation Debt/Liabilities: | | 1,354,692 | - | 149,692 | 1,205,000 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 259.12 | Compensated Absences | | 585,332 | 17,402 | - | 602,734 |
| 264.30 | Pension Liabilities | | 6,167,685 | 1,303,809 | - | 7,471,494 |
| | Total Revenue and Other (non G.O.) Debt/Liabilities: | | 6,753,017 | 1,321,211 | - | 8,074,228 |
| | Total Liabilities: | | 8,107,709 | 1,321,211 | 149,692 | 9,279,228 |

Adams County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures | | | Note |
|--|--|----------------|--------------------------------|---------------------------------|-----------------------|------------------------------------|-------|
| | | | | From Pass- Through Awards | From Direct Awards | Passed through to Subrecipients | |
| Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health) | Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | C17100 | 80,677 | - | - | 1,2 |
| Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health) | WIC Farmers' Market Nutrition Program (FMNP) | 10.572 | C17100 | 125 | - | - | 1,2 |
| Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Washington State Department of Social and Health Services/Juvenile Justice Division) | Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 | I-501-00514 | 5,022 | - | - | 1,2 |
| Violence Against Women Office, Department Of Justice (via Washington State Department of Social and health Services) | Violence Against Women Formula Grants | 16.588 | F14-31103-001 | 7,438 | - | - | 1,2,5 |
| Bureau Of Justice Assistance, Department Of Justice | State Criminal Alien Assistance Program | 16.606 | none | - | 8,094 | - | 1,2 |
| Highway Planning and Construction Cluster | | | | | | | |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-8023 McMan Bridge #400-3 | 6,983 | - | - | 1,2 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-8570/Johnson Rd #1 | 1,240,426 | - | - | 1,2 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-8700/Lee Rd Safety | 228,268 | - | - | 1,2 |

| | | | | | | | | |
|--|---|--------|---|------------------|---|------------------|---|-------|
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation) | Highway Planning and Construction | 20.205 | LA-8832/Safety Data Collection & Analysis | 50,890 | - | 50,890 | - | 1,2 |
| Total Highway Planning and Construction Cluster: | | | | | | | | |
| | | | | 1,526,567 | - | 1,526,567 | - | |
| Highway Safety Cluster | | | | | | | | |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Wa Assoc of Sheriffs and Police Chiefs) | State and Community Highway Safety | 20.600 | NHTSA DOT | 972 | - | 972 | - | 1,2 |
| National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington State Traffic Commission) | Safety Belt Performance Grants | 20.609 | n/a | 782 | - | 782 | - | 1,2 |
| Total Highway Safety Cluster: | | | | | | | | |
| | | | | 1,754 | - | 1,754 | - | |
| U.s. Election Assistance Commission (via State of Washington Secretary of State) | Help America Vote Act Requirements Payments | 90.401 | G2825 | 1,783 | - | 1,783 | - | 1,2 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Public Health Emergency Preparedness | 93.069 | C17100 | 20,245 | - | 20,245 | - | 1,2 |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Division of Alcohol Substance Abuse) | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 1563-42465 | 66,910 | - | 66,910 | - | 1,2 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | C17100 | 2,886 | - | 2,886 | - | 1,2 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | n/a | 30,335 | - | 30,335 | - | 3 |
| Total CFDA 93.268: | | | | | | | | |
| | | | | 33,221 | - | 33,221 | - | |
| Administration For Children And Families, Department Of Health And Human Services (via Washington State Division of Child Support) | Child Support Enforcement | 93.563 | 2110-80335 | 15,935 | - | 15,935 | - | 1,2,5 |

| | | | | | | | | |
|--|--|--------|-------------------------------------|------------------|--------------|------------------|---|-------|
| Administration For Children And Families, Department Of Health And Human Services (via Washington State Division of Child Support) | Child Support Enforcement | 93.563 | 75-1501-0-1-609 | 76,655 | - | 76,655 | - | 1,2,5 |
| Medicaid Cluster | | | Total CFDA 93.563: | 92,590 | - | 92,590 | - | |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Health Care Authority) | Medical Assistance Program | 93.778 | K751 | 12,310 | - | 12,310 | - | 1,2 |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Health Care Authority) | Medical Assistance Program | 93.778 | 1163-35197 | 13,615 | - | 13,615 | - | 1,2,5 |
| Total Medicaid Cluster: | | | 25,925 | 25,925 | - | 25,925 | - | |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Division of Alcohol Substance Abuse) | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 1563-42465 | 16,727 | - | 16,727 | - | 1,2 |
| Health Resources And Services Administration, Department Of Health And Human Services (via Washington State Department of Health) | Maternal and Child Health Services Block Grant to the States | 93.994 | C17100 | 40,692 | - | 40,692 | - | 1,2 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department) | Emergency Management Performance Grants | 97.042 | E16-184 E17-162 | 14,552 | - | 14,552 | - | 1,2 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Spokane County) | Homeland Security Grant Program | 97.067 | Spok Co/Emerg Mgmt | - | - | - | - | 4 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department) | Homeland Security Grant Program | 97.067 | SDEM-1411/E15-115 GSEM-1511/E16-076 | 16,330 | - | 16,330 | - | 1,2 |
| Total CFDA 97.067: | | | 16,330 | 16,330 | - | 16,330 | - | |
| Total Federal Awards Expended: | | | 8,094 | 1,950,559 | 8,094 | 1,958,653 | - | |

Adams County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Note 1 – Basis of Accounting

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

Note 2 – Program Costs

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

Note 3 – Noncash Awards – Vaccinations

The amount of vaccine reported on the schedule is the value of vaccine received by the county during current year and priced as prescribed by Department of Health.

Note 4 – Noncash Awards – Equipment

The county received equipment and supplies that were purchased with federal Homeland Security funds by the state of Washington. The amount reported on the schedule is the value of the property on the date it was received by the county and priced by the state of Washington.

Note 5 – Indirect Cost Rate

The amount expended may include an indirect cost recovery using an approved 10% de minimis cost rate. The county has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. (Approved by the County Commissioners on April 15, 2015)

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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| 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 |