



**Office of the Washington State Auditor**  
**Pat McCarthy**

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

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

**Published September 18, 2017**  
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**Report No. 1019842**





**Office of the Washington State Auditor  
Pat McCarthy**

February 19, 2019

Board of Commissioners  
Ferry County  
Republic, Washington

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

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

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Ferry County January 1, 2016 through December 31, 2016

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Ferry 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 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 identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

We reported 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 2016-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2016-002.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Ferry County

January 1, 2016 through December 31, 2016

**2016-001    The County's internal controls over financial statement preparation were inadequate to ensure accurate reporting of federal expenditures.**

#### *Background*

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

All local governments in Washington that spend federal funds must prepare a Schedule of Expenditure of Federal Awards (SEFA) as part of the annual financial report. Title 2 Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) requires grantees to identify, in their accounts, all federal program awards received and spent and to report all federal awards spent on the SEFA each fiscal year.

#### *Description of Condition*

Our audit identified a deficiency in internal controls over financial reporting that represents a significant deficiency. The County's Accounting Department primarily relied on individual departments to submit complete and accurate federal grant expenditure information to the Accounting Department for reporting. The Department did not have an adequate secondary review process of this information to verify whether grant expenditures were included in the proper period.

#### *Cause of Condition*

The Accounting Department compares federal grant revenue received in the year to federal expenditures reported by its departments to confirm that those expenditures are reasonable. However, the Accounting Department did not also consider reimbursements that County departments receive subsequent to year-end.

In addition, prior Public Works staff did not have sufficient knowledge of federal requirements to report federal grant expenditures accurately. The Public Works Department inaccurately provided information for federal grant reimbursements, rather than expenditures.

### ***Effect of Condition***

Inaccurate financial reports limit access to financial information used by County officials, the public, state and federal agencies and other interested parties. Inaccurate financial statements also can delay or hinder the audit process and increase audit costs.

The County did not include \$512,879 from a Highway Planning and Construction grant on its SEFA. The omitted expenditures were significant to the County's major federal program and required further audit examination for compliance with federal requirements.

Inaccurate reporting of federal expenditures can also affect the amount of audit coverage required and delay an audit beyond the required nine-month reporting deadline. Should County staff not identify errors or omitted financial information in a timely manner, the County might not meet its federal reporting deadline and could jeopardize future federal funding.

### ***Recommendations***

We recommend that the County:

- Improve controls over the accuracy and completeness of SEFA preparation
- Provide training to all County staff responsible for federal grant reporting

### ***County's Response***

*In 2016 there was a misunderstanding regarding whether the expenditures or the revenue should be reported. The confusion was due to the difference in reporting of FEMA revenues on the Schedule 16 where as other federal projects report expenditures.*

### ***Auditor's Remarks***

We appreciate the County's commitment to resolving the issues noted.

### ***Applicable Laws and Regulations***

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material

weakness in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting, and Reporting System* (BARS) manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Ferry County

January 1, 2016 through December 31, 2016

**2016-002    The County did not have adequate internal controls to comply with Davis-Bacon Act (wage rate) requirements.**

<b>CFDA Number and Title:</b>	20.205, Highway Planning and Construction
<b>Federal Grantor Name:</b>	Federal Highway Administration, Department of Transportation
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Washington State Department of Transportation
<b>Pass-through Award/Contract Number:</b>	LA-7615/LA-8024 TA-5064 STPR-Z102(002); LA-8118 STPR-2011(048)
<b>Questioned Cost Amount:</b>	\$0

### *Background*

The County spent \$1,970,353 federal Highway Planning and Construction funds in 2016. \$1,372,075 was spent on the Boulder Creek project for construction of about three miles of roadway. The County spent \$529,662 on the Curlew Storm project for construction of a thin lift overlay.

The Davis-Bacon Act (Act) requires all laborers and mechanics employed by contractors or subcontractors for work on construction projects financed with more than \$2,000 of federal funds to be paid wages no less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. The Act includes a requirement for the contractor and subcontractor to submit to the County weekly, for each week in which any contract work was performed, a copy of its payroll and a signed "Statement of Compliance" (weekly certified payroll reports). The prime contractor may collect the weekly certified payroll reports for the County during the project, but the County remains responsible for compliance and maintaining the documents according to records retention requirements.

### ***Description of Condition***

The County did not have adequate controls in place to ensure it collects all weekly certified payroll reports from its prime contractor and subcontractors performing work on its federally funded projects.

We consider this deficiency to be a material weakness. This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The County documented subcontractors that worked on the projects and used that information to request weekly certified payroll reports for those periods from the prime contractor. However, the prime contractor did not collect all weekly certified payrolls from subcontractors, and the County did not have a process to follow up when its prime contractor did not respond to the initial request, or separately collect them.

### ***Effect of Condition and Questioned Costs***

The County did not collect 11 of the 89 required weekly certified payroll reports for work performed on the Boulder Creek West and Curlew Storm projects. Also, the County did not ensure that 16 weekly certified payroll reports were received within seven days for the Boulder Creek West project.

Without adequate internal controls, the County cannot demonstrate workers were paid prevailing wages as the Act requires. The County could be liable for paying additional wages if prevailing wages were not paid.

### ***Recommendation***

We recommend the County strengthen internal controls over compliance with the Act's requirements, including implementing effective controls to ensure it collects all weekly certified payroll reports when due.

### ***County's Response***

*The prime contractor on the Boulder Cr project was a subcontractor on the Curlew Storm/Overlay project. This contractor has a history of not complying when it comes time to hand in required paperwork. The County has a documented history of attempting to collect missing or late paperwork from this contractor.*

*The County did not know at that time that it could seek required paperwork directly from subcontractors as leverage for such required documents. In light of this new*

*understanding of what the County can do to collect missing paperwork they have developed a Corrective Action Plan that will help in resolving this issue.*

*The County will use a checklist to ensure the timely receipt of all required documents and will withhold payment when necessary to enforce this compliance.*

*The County will notify the prime contractor that compliance of handing in required paperwork will be a part of the contractors performance review and that the County will seek further actions if issues persist; including the request of not allowing the prime contractor awards of future projects.*

### ***Auditor's Remarks***

We appreciate the County's commitment to resolving the issues noted.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 29, U.S. Code of Federal Regulations (CFR), Section 3.3 – Weekly statement with respect to payment of wages, and Section 3.4 – Submission of weekly statements and the preservation an inspection of weekly payroll records, establishes requirements for submission of weekly certified payroll reports.

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

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

Board of Commissioners  
Ferry County  
Republic, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ferry County, 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 September 6, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 that we consider to be significant deficiencies.

## COMPLIANCE AND OTHER MATTERS

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

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

## COUNTY'S RESPONSE TO FINDINGS

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

## PURPOSE OF THIS REPORT

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

A handwritten signature in black ink that reads "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

September 6, 2017, except for our report on the Schedule of Expenditures of Federal Awards and the matters discussed in Schedule of Audit Findings and Responses 2016-001, for which the date is January 4, 2019.

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

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

Board of Commissioners  
Ferry County  
Republic, Washington

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

We have audited the compliance of Ferry County, 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.

### **Other Matters – Report Reissuance**

This report, which replaces a previously issued report, has been reissued to report on CFDA 20.205 Highway Planning and Construction Cluster. This report has been changed to include additional references for material weaknesses in internal control over compliance, as reported herein.

## **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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-002 to be a material weakness.

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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

September 6, 2017, except for our report on the Highway Planning and Construction program and the matters discussed in Schedule of Federal Award Findings and Questioned Costs 2016-002, for which the date is January 4, 2019.

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Ferry County January 1, 2016 through December 31, 2016

Board of Commissioners  
Ferry County  
Republic, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ferry County, 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 23.

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

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

#### Auditor's Responsibility

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

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

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, Ferry County has prepared these financial statements 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 Ferry 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 Ferry 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The 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 Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 6, 2017, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is January 4, 2019.

## **FINANCIAL SECTION**

### **Ferry 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 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

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 COUNTY ROAD</b>	<b>102 Drug Abuse</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	2,080,132	35,527	490,607	1,934
30880	Unreserved	3,626,716	2,666,609	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	3,539,279	2,362,287	830,576	-
320	Licenses and Permits	25,487	23,617	1,870	-
330	Intergovernmental Revenues	7,460,480	2,246,266	4,107,903	-
340	Charges for Goods and Services	2,390,462	637,549	305,953	-
350	Fines and Penalties	106,477	105,076	-	919
360	Miscellaneous Revenues	1,762,517	174,897	311,286	8,545
Total Revenues:		15,284,702	5,549,692	5,557,588	9,464
<b>Expenditures</b>					
510	General Government	3,635,771	2,710,193	73,818	-
520	Public Safety	2,544,426	1,828,815	-	-
530	Utilities	461,486	-	-	-
540	Transportation	4,964,394	303,726	3,388,263	-
550	Natural and Economic Environment	584,500	228,949	-	-
560	Social Services	120,146	115,780	-	-
570	Culture and Recreation	351,373	164,000	-	-
Total Expenditures:		12,662,095	5,351,462	3,462,081	-
Excess (Deficiency) Revenues over Expenditures:		2,622,607	198,230	2,095,507	9,464
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	375,666	131,503	6,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	122,029	-	-	1,045
381, 395, 398	Other Resources	38,622	35,176	-	-
Total Other Increases in Fund Resources:		536,317	166,679	6,000	1,045
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,263,879	272,894	2,612,277	-
591-593, 599	Debt Service	76,611	-	-	-
597	Transfers-Out	375,663	230,662	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	549,492	657,025	(130,668)	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,265,645	1,160,581	2,481,608	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,106,721)</b>	<b>(795,673)</b>	<b>(380,101)</b>	<b>10,509</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,909,145	22,223	110,504	12,444
5088000	Unreserved	2,690,980	1,884,240	-	-
<b>Total Ending Cash and Investments</b>		<b>4,600,125</b>	<b>1,906,463</b>	<b>110,504</b>	<b>12,444</b>

The accompanying notes are an integral part of this statement.

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

		<b>103 Community Services</b>	<b>104 County Fair</b>	<b>107 Treasurer's O &amp; M</b>	<b>108 Auditor's O &amp; M</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	6,532	-	51,892	67,825
30880	Unreserved	-	185,594	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	16,050	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	847	73,891	-	42,839
340	Charges for Goods and Services	-	111,831	3,221	5,257
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	22,686	-	158
Total Revenues:		16,897	208,408	3,221	48,255
<b>Expenditures</b>					
510	General Government	-	-	1,757	53,206
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	151,779	-	-
Total Expenditures:		-	151,779	1,757	53,206
Excess (Deficiency) Revenues over Expenditures:		16,897	56,629	1,464	(4,952)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	17,500	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	100	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	17,600	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	85,371	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	23,136	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		23,136	85,371	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(6,239)</b>	<b>(11,142)</b>	<b>1,464</b>	<b>(4,952)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	293	-	53,356	62,874
5088000	Unreserved	-	174,452	-	-
<b>Total Ending Cash and Investments</b>		<b>293</b>	<b>174,452</b>	<b>53,356</b>	<b>62,874</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>109 Veteran's Relief</b>	<b>110 Enhanced 911</b>	<b>111 MHCD</b>	<b>112 Boating Safety</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	45,491	-	-	10,182
30880	Unreserved	-	80,148	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	10,914	53,353	92,731	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	15	815,328	-	5,216
340	Charges for Goods and Services	-	39,081	225	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	170	3,707	-	0
Total Revenues:		11,099	911,469	92,956	5,216
<b>Expenditures</b>					
510	General Government	-	-	102,949	-
520	Public Safety	-	709,241	-	6,370
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	4,366	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		4,366	709,241	102,949	6,370
Excess (Deficiency) Revenues over Expenditures:		6,733	202,227	(9,993)	(1,154)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	139,733	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	120,883	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	139,733	120,883	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	192,260	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	100,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	292,260	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>6,733</b>	<b>49,700</b>	<b>110,890</b>	<b>(1,154)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	52,224	-	110,890	9,028
5088000	Unreserved	-	129,848	-	-
<b>Total Ending Cash and Investments</b>		<b>52,224</b>	<b>129,848</b>	<b>110,890</b>	<b>9,028</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>114 Court Facilitator</b>	<b>117 Title III</b>	<b>118 Affordable Housing For All</b>	<b>119 Home Security Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	2,250	203,779	17,757	233,633
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	28,482	-	-
340	Charges for Goods and Services	853	-	7,803	41,679
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		853	28,482	7,803	41,679
<b>Expenditures</b>					
510	General Government	1,304	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	40,000
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,304	-	-	40,000
Excess (Deficiency) Revenues over Expenditures:		(451)	28,482	7,803	1,679
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(451)</b>	<b>28,482</b>	<b>7,803</b>	<b>1,679</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,799	232,261	25,560	235,312
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,799</b>	<b>232,261</b>	<b>25,560</b>	<b>235,312</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>122 Clerks Collections Fund</b>	<b>123 Domestic Violence Pen Assess</b>	<b>124 Recreation Fund</b>	<b>126 Crime Victims</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	4,804	5,084	36,056	23,434
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	344	-	29,872	-
340	Charges for Goods and Services	-	92	-	4,947
350	Fines and Penalties	-	481	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		344	574	29,872	4,947
<b>Expenditures</b>					
510	General Government	369	-	-	5,391
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	35,593	-
Total Expenditures:		369	-	35,593	5,391
Excess (Deficiency) Revenues over Expenditures:		(25)	573	(5,721)	(444)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	20,322	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	20,322	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(25)</b>	<b>573</b>	<b>(26,043)</b>	<b>(444)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	4,779	5,658	10,013	22,990
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>4,779</b>	<b>5,658</b>	<b>10,013</b>	<b>22,990</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>128 Reet Electronic Fund</b>	<b>129 Weed Control</b>	<b>130 Tourism</b>	<b>131 Trial Court Improvement</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1	58,989	20,653	31,261
30880	Unreserved	-	-	242,440	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	35,528	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	30,799	-	11,902
340	Charges for Goods and Services	-	137,441	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	86,264	973	-
Total Revenues:		-	254,504	36,501	11,902
<b>Expenditures</b>					
510	General Government	-	-	-	861
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	229,188	25,871	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	229,188	25,871	861
Excess (Deficiency) Revenues over Expenditures:		-	25,316	10,630	11,041
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	964	-	-
Total Other Increases in Fund Resources:		-	964	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1	-	31,500	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1	-	31,500	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1)</b>	<b>26,280</b>	<b>(20,870)</b>	<b>11,041</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	85,269	30,388	42,302
5088000	Unreserved	-	-	211,836	-
<b>Total Ending Cash and Investments</b>		<b>-</b>	<b>85,269</b>	<b>242,223</b>	<b>42,302</b>

*The accompanying notes are an integral part of this statement.*

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

		132 Taxsifter	137 Connections Shltr Rep	140 REET Prop Tax Admin Asst	307 Distressed Area Cap
<b>Beginning Cash and Investments</b>					
30810	Reserved	340	4,724	95,492	463,192
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	71,021
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	9,396	-
340	Charges for Goods and Services	-	-	1,388	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,060	-	-	-
Total Revenues:		2,060	-	10,783	71,021
<b>Expenditures</b>					
510	General Government	2,820	-	5,711	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	60,492
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,820	-	5,711	60,492
Excess (Deficiency) Revenues over Expenditures:		(760)	-	5,073	10,529
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	429	-	1	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		429	-	1	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	6,000
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	6,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(331)</b>	<b>-</b>	<b>5,074</b>	<b>4,529</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	9	4,724	100,565	467,722
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>9</b>	<b>4,724</b>	<b>100,565</b>	<b>467,722</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>308 County Capital Improvement</b>	<b>401 Solid Waste</b>	<b>501 EQUIPMENT RENTAL &amp;</b>	<b>502 Management Info Systems</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	168,693	-	-	-
30880	Unreserved	-	90,270	266,197	72,050
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	66,820	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	54,627	-	-
340	Charges for Goods and Services	-	360,415	156,316	121,330
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3	3,347	1,148,155	267
Total Revenues:		66,822	418,389	1,304,471	121,597
<b>Expenditures</b>					
510	General Government	-	-	-	219,383
520	Public Safety	-	-	-	-
530	Utilities	-	461,486	-	-
540	Transportation	-	-	1,272,405	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	461,486	1,272,405	219,383
Excess (Deficiency) Revenues over Expenditures:		66,823	(43,097)	32,066	(97,786)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	500	-	80,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	2,482	-
Total Other Increases in Fund Resources:		-	500	2,482	80,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	12,994	-	67,762	-
591-593, 599	Debt Service	9,065	-	67,546	-
597	Transfers-Out	7,500	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		29,558	-	135,308	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>37,265</b>	<b>(42,597)</b>	<b>(100,760)</b>	<b>(17,786)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	205,957	-	-	-
5088000	Unreserved	-	47,673	165,436	54,265
<b>Total Ending Cash and Investments</b>		<b>205,957</b>	<b>47,673</b>	<b>165,436</b>	<b>54,265</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>503 Insurance Fund</b>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	23,408
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	2,753
340	Charges for Goods and Services	455,079
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		457,833
<b>Expenditures</b>		
510	General Government	458,011
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		458,011
Excess (Deficiency) Revenues over Expenditures:		(179)
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(179)</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	23,229
<b>Total Ending Cash and Investments</b>		<b>23,229</b>

*The accompanying notes are an integral part of this statement.*

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

		<b>Total for All Funds (Memo Only)</b>	<b>646 Republic General</b>	<b>651 NCR Library</b>	<b>678 State Remittance</b>
308	Beginning Cash and Investments	174,514	1,420	1,816	10,457
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	65,022	-	-	-
380-390	Other Increases and Financing Sources	2,729,979	156,609	276,658	125,341
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	2,712,928	156,082	275,807	125,505
	Net Increase (Decrease) in Cash and Investments:	82,073	527	851	(164)
508	Ending Cash and Investments	256,587	1,946	2,668	10,293

  

		<b>680 Advance Tax</b>	<b>681 Deed Excise Tax</b>	<b>686 Treasurers Trust</b>	<b>688 Timber Excise</b>
308	Beginning Cash and Investments	2,759	-	5,217	36,424
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	65,022
380-390	Other Increases and Financing Sources	386	365,448	(1,512)	-
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	2,791	365,448	-	-
	Net Increase (Decrease) in Cash and Investments:	(2,405)	0	(1,512)	65,022
508	Ending Cash and Investments	355	-	3,705	101,445

  

		<b>689 Fire Patrol</b>	<b>692 State School</b>	<b>695 Sheriffs Trust Fund</b>	<b>696 Foreclosure Surplus</b>
308	Beginning Cash and Investments	1,430	8,575	2,887	68,801
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	161,232	1,233,433	25,300	8,103
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	161,587	1,229,627	27,460	37,357
	Net Increase (Decrease) in Cash and Investments:	(355)	3,806	(2,160)	(29,254)
508	Ending Cash and Investments	1,074	12,381	727	39,547

*The accompanying notes are an integral part of this statement.*

		<b>697 Jail Trust fund</b>	<b>698 Superior Court Trust Fund</b>	<b>699 District Court Trust Fund</b>
308	Beginning Cash and Investments	16,105	13,732	4,892
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	90,756	148,038	140,187
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	82,719	108,841	139,703
	Net Increase (Decrease) in Cash and Investments:	8,037	39,197	484
508	Ending Cash and Investments	24,142	52,928	5,376

*The accompanying notes are an integral part of this statement.*

## FERRY COUNTY WASHINGTON

### NOTES TO FINANCIAL STATEMENTS JANUARY 1, 2016 TO DECEMBER 31, 2016

#### **NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

Ferry County, Washington was incorporated on February 21, 1899 and operates under the laws of the State of Washington applicable to a seventh class county with a commissioner form of government. Ferry County is a general purpose government and provides public safety, road improvements, judicial administration, health and social services, and general administration services. In addition the county owns and operates an airport and owns a fairground.

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

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

#### GOVERNMENTAL FUND TYPES:

##### General (Current Expense) Fund (001)

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

##### Special Revenue Funds (100 Series)

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

##### Capital Projects Funds (300 Series)

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

#### PROPRIETARY FUND TYPES:

##### Enterprise Funds (400 Series)

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

Internal Service Funds (500 Series)

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

FIDUCIARY FUND TYPES:

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

Agency Funds (600 Series)

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

B. Basis Of Accounting

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

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

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

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

C. Budgets

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - Current Expense			
Current Expense	5,996,114.11	5,395,873.65	600,240.46
Merry-go-round	17,750.00		17,750.00
Designated Medical Trust	9,400.00	8,569.48	830.52

Inmate Welfare	59,671.02	59,327.10	343.92
Law Library	5,600.00	3,951.09	1,648.91
Leased County Property	3,800.00	1,206.95	2,593.05
Cumulative Reserve	100,000.00		100,000.00
Conservation	686,282.00	652,000.00	34,282.00
Fair Grounds Management	84,900.00	80,331.15	4,568.85
Sheriff's Uniform/Clothing	14,200.00	7,058.44	7,141.56
Sheriff's Clothing Revolving	4,350.00		4,350.00
NEWC	500		500
Airport	353,900.00	303,725.68	50,174.32
Total 001 - Current Expense	7,336,467.13	6,512,043.54	824,423.59
101 - County Road			
County Road	6,962,879.80	5,943,690.00	1,019,189.80
Trail Reserve			
Total 101 - County Road	6,962,879.80	5,943,690.00	1,019,189.80
102 - Drug Abuse	2,600.00		2,600.00
103 - Community Services	25,365.00	23,135.52	2,229.48
104 - County Fair	283,940.17	237,149.52	46,790.65
107 - Treasurer's O & M	7,000.00	1,756.70	5,243.30
108 - Auditor's O & M	64,790.96	53,205.84	11,585.12
109 - Veteran's Relief	16,350.00	4,365.90	11,984.10
110 - Enhanced 911	1,043,892.58	1,001,501.27	42,391.31
111 - MHCD	112,900.00	102,948.91	9,951.09
112 - Boating Safety	18,295.60	6,369.71	11,925.89
114 - Court Facilitator	4,412.00	1,304.00	3,108.00
117 - Title III	233,779.00		233,779.00
118 - Affordable Housing For All	10,000.00		10,000.00
119 - Home Security Fund	92,250.00	40,000.00	52,250.00

120 - Connections Shltr Rep Reserve	2,000.00		2,000.00
122 - Clerks Collections Fund	1,100.00	369	731
123 – Domestic Violence Pen Assess			
124 - Recreation Fund	219,891.00	55,915.76	163,975.24
126 - Crime Victims	6,719.00	5,390.77	1,328.23
128 - Reet Electronic Fund	1.24	1.24	
129 - Weed Control	239,029.36	229,187.95	9,841.41
130 - Tourism	252,655.00	57,370.87	195,284.13
131 - Trial Court Improvement	5,100.00	860.74	4,239.26
132 - Taxesifter	2,819.60	2,819.60	
140 - REET Prop Tax Admin Asst	12,500.00	5,711.25	6,788.75
307 - Distressed Area Cap	80,953.00	66,491.79	14,461.21
308 - County Capital Improvement	121,564.59	29,558.42	92,006.17
401 - Solid Waste			
Solid Waste	463,259.00	442,710.69	20,548.31
Landfill Post Closure	22,897.00	18,775.03	4,121.97
Total 401 - Solid Waste	486,156.00	461,485.72	24,670.28
501 - Equipment Rental & Revolving	2,026,480.00	1,407,713.30	618,766.70
502 - Management Info Systems	252,531.00	219,382.91	33,148.09
503 - Insurance Fund	459,832.17	458,011.16	1,821.01

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

#### D. Cash

It is the county's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the general (current expense) fund when allowed otherwise it is prorated to the various funds.

#### E. Deposits

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

#### F. Investments See Note 3

#### G. Capital Assets

Capital assets are long lived assets with an initial individual cost of more than \$5000.00 and an estimated

useful life in excess of a year. The capital assets of the county are recorded as expenditures when purchased.

#### I. Compensated Absences

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

Sick leave may be accumulated up to 720 hours except for those under the bargaining unit and they can accumulate up to 840 hours. Sick leave is payable for those employees who retire after 20 years of employment. They may receive a lump sum payment of 25% of unused sick leave up to a maximum of 180 hours except for those under the bargaining unit. A member of the bargaining unit who terminates after a minimum of 10 years employment will receive a lump sum payment of 25% of any accrued but unused sick leave up to a maximum of 210 hours, after 15 years 33% up to 277 hours and after 20 years 50% up to 420 hours.

#### J. Long-Term Debt See Note 6.

#### K. Risk Management

The county maintains insurance against most normal hazards. In the opinion of management, the county's insurance policies are adequate to pay all known or pending claims. The county is a member of the Washington Rural Counties Insurance Pool (WRCIP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring and/or 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 program was formed on September 1, 1998, when three counties in the state of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016, there are eight counties in the program.

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

The program acquires insurance through their Administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$45,000,000 with a self-insured retention of \$50,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$50,000 self-insured retention. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$50,000 self-insured retention in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$541,079.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 - \$10,000 per occurrence deductible. The program bears the \$25,000 self-insured retention, in addition to the deductible.

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

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

The program is governed by an eight-member board of directors elected by each member's designated voting representative. It is felt the individual counties are best able to select their own representatives to manage their insurance association.

The program is funded by its member participants and has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the policy year beginning December 1, 2015, and ending December 1, 2016, were \$506,550.64

**L. 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 resolution or ordinance. 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:

Carousel preservation	16,879	Court Facilitator	1,799
Inmate Welfare	5,344	Title II & III Projects	232,261
Drug Investigation	12,444	Homelessness	25,560
Mental Health	293	Homelessness	235,312
Foreclosure costs	53,356	Clerks Collection	4,779
Document Preservation	62,874	Recreational grants	10,013
Mental Health, Chemical Dependency			110,890
Veterans Assistance	52,224	Crime Victims Comp	22,990
Boating Safety Programs	9,028	County Road Maintenance	110,504
Noxious Weed Control	85,269	Tourism Promotion	30,388
Trial Courtroom Improvements	42,302	Taxsifter Program Maint	9
Emergency Shelter Grant	4,724	REET Prop Tax Admn Asst	100,565
Economic Development	467,722	Capital Improvements	205,957
Domestic Violence Advocacy, Prevention and Prosecution			5,658

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the County. The Treasurer's O & M Fund isn't required to have a budget per R.C.W. 84.56.020(10).

**NOTE 3 - INVESTMENTS**

It is the County's policy to invest temporary cash surpluses. The interest on these investments is prorated to the various funds when required otherwise it is deposited in the general fund. The county's investments are insured, registered or held by the county or its agent in the county's name. The investments listed below include the junior districts and schools as well as the county.

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

Type of Investment	County's own Investments & Surplus	Investments held by the County as an agent for Other local governments.	Total
L.G.I.P.	5,040,760	\$ 1,631,942	6,672,702
WA Fed	191,189	4,080,891	4,272,080
US Bank	1,500,757		1,500,757
Total	<u>\$6,732,706</u>	<u>\$ 5,712,833</u>	<u>\$12,445,539</u>

#### **NOTE 4 - PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at the end of each month. Property tax revenues are recognized when cash is received by the county. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The county's regular levy for the year 2015 for collection in 2016 was as follows per \$1,000 of assessed valuation.

	<u>Levy Rate</u>	<u>Assessed Value</u>	<u>Tax</u>
Current Expense	1.758000	603,735,962	\$1,061,368
Mental Health	.025000	603,735,962	15,093
Veterans Relief	.017000	603,735,962	10,264
County Road	1.395000	557,320,568	777,462
Diverted Road	.855000	557,320,568	476,509
Conservation Futures	.062500	603,735,962	37,734

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy for 2016 was \$2.25 per \$1,000 on an assessed valuation of \$557,320,568 for a total road levy of \$1,253,971.00.

#### **NOTE 5 – INTERFUND AND INTERGOVERNMENTAL LOANS AND ADVANCES**

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	Balance 1/1/2016	New Loans	Repayments	Balance 12/31/2016
Solid Waste	Current Expense	140,000			140,000
Housing Authority		17,000			17,000
Curlew Water	Conservation		652,024		652,024
TOTALS		\$157,000	652,024		\$809,024

#### **NOTE 6 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Long-Term Liabilities (09) provides a listing of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for 2016. The debt service requirements, including interest, but not including compensated absences are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	153,639	27,784	181,423*
2018	56,464	26,512	82,976
2019	838,407	12,022	850,429
2020	15,429		15,429
2021	15,429		15,429
2022	10,326		10,326 **
TOTALS	\$1,089,694	\$ 66,318	\$1,156,012

\*The Department of Commerce shows the County will repay 85,500 in 2033. This property was sold January 19, 2017 and the loan was repaid.

\*\* The landfill was closed in the 90's before the new regulations went into effect so the county doesn't prepare Dept of Ecology reports referred to in the BARS manual. The closure costs are an estimate based on prior history of expenditures.

## **NOTE 7 - PENSION PLANS**

Substantially all county full-time and qualifying part-time employees participate in 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) or Law Enforcement Officers' 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  
PO Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2016 (the measurement date of the plans) the County's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation%	Liability(Asset)
PERS 1	.031400%	1,686,328
PERS 2/3	.035147%	1,769,624
PSERS 2	.089950%	38,227
LEOFF 1	.000772%	(7,954)
LEOFF 2	.013623%	( 79,235)

### **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.

## **NOTE 8 – COMMITMENTS UNDER NONCAPITALIZED (OPERATING) LEASES**

The County leases copy machines on 60 month contracts. These contracts include maintenance and copy charges so the amounts vary depending on the usage. We have approximately 10 machines between the various departments. The contracts expire at various times however we anticipate that they will be renewed as they do so. We pay approximately \$2270.00 per month. In 2016 we spent a total of \$27,234 on these contracts.

## **NOTE 9 – CONTINGENCIES AND LITIGATIONS**

The Joint City of Republic-Ferry County Housing Authority (hereafter referred to as Housing Authority) was created by the City of Republic and Ferry County in 1991. The financial records were maintained by Ferry County. In 1999 the Housing Authority separated from the County and established their own financial records. In 2014 it came to the attention of Ferry County and the City of Republic that the Housing Authority was out of compliance with their federal granting agencies as well as the State of Washington. The City of Republic and Ferry County are working together to bring the Housing Authority back into compliance in hopes of mitigating some of the liability and helping the Housing Authority recover. As of April 13, 2015 the Housing Authority contracted with Rural Resources Community Action to manage the Housing Authority however, in October of 2015 Rural Resources returned the management of the properties back over to the Housing Authority. Subsequently they have hired a part time property manager and the County is assisting with the management and financials. The San Poil Plaza property is being turned over to Rural Resources and they are assuming the loans with USDA in the amount of \$419,421.00. The City of Republic and Ferry County appoint the board members of the Housing Authority and therefore are still responsible for their actions. As a result the City of Republic and Ferry County may be held liable for the Housing Authority's contractual obligations. The Housing Authority has outstanding liabilities of \$1,717,272 excluding the USDA loans. The County will be liable for 3/5ths of the outstanding liabilities if the Housing Authority defaults on those liabilities. The approximate book value of the available assets as of December 31, 2016 is \$1,077,948 and the Housing Authority's cash balance as of December 31, 2016 was \$203,195 excluding the funds for the San Poil Plaza. These assets could potentially be used to offset the liabilities.

#### **NOTE 10 – OPEB**

The County has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical services. We have one retiree that received benefits during the year and \$9,010 was paid out for medical insurance and co pays.

#### **NOTE 11 – JOINT VENTURES**

Ferry County participates in a number of joint ventures with other Counties such as:

- **Joint Venture** - Ferry County has a representative on the Board of Directors of the Tri County Economic Development District, which is a federally-designated economic development district by the US Dept of Commerce-Economic Development Administration. The District serves the counties of Ferry, Pend Oreille and Stevens. Ferry County paid \$47,453.00 for membership dues, salaries and extra support.
- **Jointly Governed Organization/Related Party** - In addition, the County jointly created the local Housing Authority, (Joint City of Republic Ferry County Housing Authority) in conjunction with the City of Republic. The County is possibly liable for the debt of the Housing Authority. See note 9. Ferry County paid the following funds to the Housing Authority:

Home Security Fund	Contribution	\$40,000
--------------------	--------------	----------
- **Joint Venture** - Northeast Tri County Health District works with other entities to assess, protect, preserve, and promote the health of the tri-county area and establishes local policy relating to population based services in Ferry, Pend Oreille and Stevens Counties. Ferry County contributed \$96,202.
- **Joint Venture** – Stevens County is the fiscal agent for some of the Superior Court Services provided to Ferry, Pend Oreille and Stevens County. Ferry County reimburses Stevens County for its prorated share. Ferry County paid Stevens County \$61,806.57 in 2016 for its share of the joint services.
- **Joint Venture** – Martin Hall Juvenile Detention Facility is a joint operation between several counties to provide juvenile detention services. Stevens County holds the bond and we pay our share

of the bond payments to them and Lincoln County is the fiscal agent and we pay them for our share of costs and for bed days that exceed our number of allocated days. In 2016 Ferry County paid Stevens County \$9,064.59 and Lincoln County \$39,137.50.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.83	MARTIN HALL	12/1/2016	8,674	-	8,674	-
263.81	DCD HOMELESS SHELTER	9/30/2033	85,500	-	-	85,500
263.51	Copy Machines	12/31/2017	40,182	-	27,234	12,948
263.51	PW Graders & Loader	1/7/2020	518,735	-	20,656	498,079
263.51	PW Graders & Loader	9/30/2019	-	423,569	17,873	405,696
<b>Total General Obligation Debt/Liabilities:</b>			<b>653,091</b>	<b>423,569</b>	<b>74,437</b>	<b>1,002,223</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	COMPENSATED ABSENCES		361,226	-	13,565	347,661
263.22	Landfill Closure	12/31/2023	106,246	-	18,775	87,471
264.30	Net Pension Liabilities		3,626,068	-	131,889	3,494,179
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>4,093,540</b>	<b>-</b>	<b>164,229</b>	<b>3,929,311</b>
<b>Total Liabilities:</b>			<b>4,746,631</b>	<b>423,569</b>	<b>238,666</b>	<b>4,931,534</b>

**Ferry 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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture (via WA STATE TREASURER)	Schools and Roads - Grants to States	10.665	0.00	403,499	-	403,499	-	1,2
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NFS 12-DG- 11062100-007	-	24,113	24,113	-	1,2
Total Forest Service Schools and Roads Cluster:				403,499	24,113	427,612	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA Dept Of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	11-64100-020	47,993	-	47,993	-	1,2
Office For Victims Of Crime, Department Of Justice (via WA Dept Of Commerce)	Crime Victim Assistance	16.575	S16-31102-509	23,049	-	23,049	-	1,2
Office For Victims Of Crime, Department Of Justice (via WA Dept Of Commerce)	Crime Victim Assistance	16.575	S17-31102-509	32,534	-	32,534	-	1,2
Total CFDA 16.575:				55,583	-	55,583	-	
Violence Against Women Office, Department Of Justice (via WA DEPARTMENT OF COMMERCE)	Violence Against Women Formula Grants	16.588	F15-31103-047	14,487	-	14,487	-	1,2
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1301	1,372,075	-	1,372,075	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1302	1,475	-	1,475	-	1,2

*The accompanying notes are an integral part of this schedule.*

**Ferry 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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1305	6,166	-	6,166	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1306	4,824	-	4,824	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1307	4,266	-	4,266	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1308	5,680	-	5,680	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1309/1310	529,662	-	529,662	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1503	14,264	-	14,264	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1502	7,234	-	7,234	-	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	CRP #1501	24,716	-	24,716	-	1,2
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,970,363</b>	<b>-</b>	<b>1,970,363</b>	<b>-</b>	
<b>Highway Safety Cluster</b>								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	0.00	533	-	533	-	1,2

*The accompanying notes are an integral part of this schedule.*

**Ferry 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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WASPC)	State and Community Highway Safety	20.600	120-6200-00	3,772	-	3,772	-	1,2
<b>Total CFDA 20.600:</b>				<b>4,305</b>	-	<b>4,305</b>	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	0.00	544	-	544	-	1,2
<b>Total Highway Safety Cluster:</b>				<b>4,849</b>	-	<b>4,849</b>	-	
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	Child Support Enforcement	93.563	75-1501-0-1-609	41,742	-	41,742	-	1,2,3
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA MILITARY DEPARTMENT)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	019-99019-00/D16-571	191,027	-	191,027	-	1,2,4
Federal Emergency Management Agency (fema), Department Of Homeland Security (via SPOKANE EMERGENCY MANAGEMENT)	Homeland Security Grant Program	97.067	SDEM 1414	14,306	-	14,306	-	1,2
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA MILITARY DEPARTMENT)	Homeland Security Grant Program	97.067	E15-192	65,807	-	65,807	-	1,2
Federal Emergency Management Agency (fema), Department Of Homeland Security (via OKANOGAN COUNTY)	Homeland Security Grant Program	97.067	FCSO-2016-01	80,000	-	80,000	-	1,2

*The accompanying notes are an integral part of this schedule.*

**Ferry 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			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
	Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA MILITARY DEPARTMENT)	Homeland Security Grant Program	97.067	15-SPWSPW- 04-004-VO	52,527	-	52,527	-	1,2
				<b>Total CFDA 97.067:</b>	<b>212,640</b>	<b>-</b>	<b>212,640</b>	<b>-</b>	
			<b>Total Federal Awards Expended:</b>		<b>2,942,183</b>	<b>24,113</b>	<b>2,966,296</b>	<b>-</b>	

**FERRY COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 – BASIS OF ACCOUNTING**

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

**NOTE 2 – PROGRAM COSTS**

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

**NOTE 3 – INDIRECT COST RATE**

The County did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.510(b) (6). The amount expended includes \$6374 claimed as an indirect cost recovery using an approved indirect cost rate of 18.98%.

**NOTE 4 – FEMA FUNDS**

We spent 93,936.63 in 2015 but the FEMA Project worksheet was approved in 2016.



FERRY COUNTY  
DEPARTMENT OF PUBLIC WORKS  
350 E. DELAWARE #8 ◦ REPUBLIC, WA 99166  
(509) 775-5225 X 5 ◦ FAX: (509) 775-5226

RON CHARLTON, DIRECTOR of PUBLIC WORKS  
ROBERT BRESHEARS, P.E., COUNTY ENGINEER

## **CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE**

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

This schedule presents the corrective action planned by the Ferry County 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).

<b>Finding ref number:</b> 2016-001	<b>Finding caption:</b> The County's internal controls over financial statement preparation were inadequate to ensure accurate reporting of federal expenditures.
<b>Name, address, and telephone of County contact person:</b> Ron Charlton 350 E Delaware Avenue No. 8 Republic WA 99166	
<b>Corrective action the auditee plans to take in response to the finding:</b> <ol style="list-style-type: none"><li><i>The Public Works will give the County auditor's office the annual reports in a timely manner for auditing</i></li><li><i>Training for all employees involved in reporting.</i></li><li><i>The County Audit will work with the County Public works office to better understand the revenue and expenditures of the projects and to ensure understanding of the granting agencies.</i></li></ol>	
<b>Anticipated date to complete the corrective action:</b> March 2019	

<b>Finding ref number:</b> 2016-002	<b>Finding caption:</b> The County did not have adequate internal controls to comply with Davis-Bacon Act (wage rate) requirements.
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**Name, address, and telephone of County contact person:**

Ron Charlton

350 E. Delaware Avenue No. 8

Republic WA 99166

509.775.5225

**Corrective action the auditee plans to take in response to the finding:**

1. *We will add a check list to track receipt of required documents to the Progress Billings. If all required documents are not received in a timely manner then we will withhold contractor payments.*
2. *We will ensure that the prime contractor understands that if we do not receive all required documents by the date they are due then it will reflect in their contractor performance review with CRAB and WSDOT and if the issue continues to persist it may lead to further corrective actions.*
3. *Training for all employees involved in contract/project administration.*

**Anticipated date to complete the corrective action:**

On going to be completed by the end of the next project.



## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>