



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

Pend Oreille County

For the period January 1, 2017 through December 31, 2017

Published September 20, 2018

Report No. 1022180





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

September 20, 2018

Board of Commissioners
Pend Oreille County
Newport, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pend Oreille County **January 1, 2017 through December 31, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

The following programs were selected as major programs 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
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**Pend Oreille County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Pend Oreille County
Newport, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pend Oreille County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 10, 2018.

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.

As discussed in Note 8 to the financial statements, during the year ended 2017, the County adopted guidance for presentation and disclosure of amounts collected and held for special purpose districts in fiduciary funds, as required by the BARS manual.

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 the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in cursive script that reads "Pat McCarthy". The signature is written in black ink and is positioned above the printed name.

Pat McCarthy

State Auditor

Olympia, WA

September 10, 2018

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

**Pend Oreille County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Pend Oreille County
Newport, Washington

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

We have audited the compliance of Pend Oreille County, 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, 2017. 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, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 10, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pend Oreille County **January 1, 2017 through December 31, 2017**

Board of Commissioners
Pend Oreille County
Newport, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pend Oreille County, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 16.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Pend Oreille County, for the year ended December 31, 2017, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the County used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pend Oreille County, as of December 31, 2017, 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.

Matters of Emphasis

As discussed in Note 8 to the financial statements, in 2017, the County adopted new accounting guidance for presentation and disclosure of amounts collected and held for special purpose districts in fiduciary funds, as required by the BARS manual. Our opinion is not modified with respect to this matter.

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 10, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

September 10, 2018

FINANCIAL SECTION

Pend Oreille County January 1, 2017 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General	101 Arts & Tourism	102 Counseling
Beginning Cash and Investments					
30810	Reserved	4,429,215	828,939	48,700	1,225,522
30880	Unreserved	3,094,382	1,065,105	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	6,038,563	3,551,198	53,150	29,884
320	Licenses and Permits	181,043	181,043	-	-
330	Intergovernmental Revenues	9,707,547	4,648,306	-	1,972,065
340	Charges for Goods and Services	5,839,770	1,387,526	-	82,268
350	Fines and Penalties	188,568	188,570	-	-
360	Miscellaneous Revenues	613,993	380,203	-	7,502
Total Revenues:		22,569,484	10,336,846	53,150	2,091,719
Expenditures					
510	General Government	6,422,812	5,366,638	-	-
520	Public Safety	4,674,823	3,906,193	-	-
530	Utilities	1,133,776	-	-	-
540	Transportation	5,188,404	-	-	-
550	Natural and Economic Environment	907,161	631,060	37,849	-
560	Social Services	2,394,882	235,717	-	2,059,091
570	Culture and Recreation	255,870	89,908	-	-
Total Expenditures:		20,977,728	10,229,516	37,849	2,059,091
Excess (Deficiency) Revenues over Expenditures:		1,591,756	107,330	15,301	32,628
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	19,358	434	-	-
381, 395, 398	Other Resources	224,275	83,370	-	-
Total Other Increases in Fund Resources:		243,633	83,804	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,367,044	60,711	-	16,834
591-593, 599	Debt Service	73,528	30,301	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	61,314	214	-	-
581	Other Uses	18,000	-	-	-
Total Other Decreases in Fund Resources:		1,519,886	91,226	-	16,834
Increase (Decrease) in Cash and Investments:		315,503	99,908	15,301	15,794
Ending Cash and Investments					
5081000	Reserved	4,483,314	813,313	64,001	1,241,316
5088000	Unreserved	3,355,786	1,180,639	-	-
Total Ending Cash and Investments		7,839,100	1,993,952	64,001	1,241,316

The accompanying notes are an integral part of this statement.

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		103 Crime Victims	104 Fair	105 Law Library	110 Park
Beginning Cash and Investments					
30810	Reserved	21,139	79,004	3,150	102,468
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	33,086	-	-
340	Charges for Goods and Services	10,463	36,716	3,240	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	32,210	-	1,110
Total Revenues:		10,463	102,012	3,240	1,110
Expenditures					
510	General Government	5,781	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	104,521	2,854	53,372
Total Expenditures:		5,781	104,521	2,854	53,372
Excess (Deficiency) Revenues over Expenditures:		4,682	(2,509)	386	(52,262)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	46,398
Total Other Increases in Fund Resources:		-	-	-	46,398
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	636	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	5,001	-	-
581	Other Uses	-	3,000	-	-
Total Other Decreases in Fund Resources:		-	8,637	-	-
Increase (Decrease) in Cash and Investments:		4,682	(11,146)	386	(5,864)
Ending Cash and Investments					
5081000	Reserved	25,821	67,858	3,536	96,604
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		25,821	67,858	3,536	96,604

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		111 Paths & Trails	112 Road	114 Veteran's Assistance	115 Real Estate & Property Tax Admin
Beginning Cash and Investments					
30810	Reserved	132,739	1,169,434	59,946	83,192
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	1,972,719	13,510	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	8,614	2,236,320	1	9,898
340	Charges for Goods and Services	-	57,672	-	2,520
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	71,860	-	753
Total Revenues:		8,614	4,338,571	13,511	13,171
Expenditures					
510	General Government	-	59,563	-	-
520	Public Safety	-	160,614	-	-
530	Utilities	-	-	-	-
540	Transportation	-	3,988,610	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	9,926	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	4,208,787	9,926	-
Excess (Deficiency) Revenues over Expenditures:		8,614	129,784	3,585	13,171
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	42	-	-
381, 395, 398	Other Resources	-	13,488	-	-
Total Other Increases in Fund Resources:		-	13,530	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	302,403	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	37,545	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	339,948	-	-
Increase (Decrease) in Cash and Investments:		8,614	(196,634)	3,585	13,171
Ending Cash and Investments					
5081000	Reserved	141,353	972,800	63,531	96,363
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		141,353	972,800	63,531	96,363

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		118 Treasurer's O&M	119 Auditor's O&M	123 Trial Court Improvement	126 Drug Enforcement
Beginning Cash and Investments					
30810	Reserved	42,368	119,683	95,675	63,205
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	46,944	18,759	-
340	Charges for Goods and Services	35,202	9,294	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	10,354
Total Revenues:		35,202	56,238	18,759	10,354
Expenditures					
510	General Government	9,525	66,822	18,368	-
520	Public Safety	-	-	-	495
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		9,525	66,822	18,368	495
Excess (Deficiency) Revenues over Expenditures:		25,677	(10,584)	391	9,859
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	3,300
Total Other Increases in Fund Resources:		-	-	-	3,300
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	3,376	-	-
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:		-	3,376	-	-
Increase (Decrease) in Cash and Investments:		25,677	(13,960)	391	13,159
Ending Cash and Investments					
5081000	Reserved	68,045	105,723	96,066	76,364
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		68,045	105,723	96,066	76,364

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		127 Emergency 911 communication	128 Extension Education	130 Growth Management	131 Low Income Housing
Beginning Cash and Investments					
30810	Reserved	-	9,568	-	14,708
30880	Unreserved	51,999	-	17,068	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	105,195	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	609,199	-	71,942	-
340	Charges for Goods and Services	-	1,663	-	15,817
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	90	400	-	-
Total Revenues:		714,484	2,063	71,942	15,817
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	607,521	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	52,062	-
560	Social Services	-	-	-	15,093
570	Culture and Recreation	-	5,215	-	-
Total Expenditures:		607,521	5,215	52,062	15,093
Excess (Deficiency) Revenues over Expenditures:		106,963	(3,152)	19,880	724
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	4	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	4	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	26,883	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	1	-	-
581	Other Uses	-	-	15,000	-
Total Other Decreases in Fund Resources:		26,883	1	15,000	-
Increase (Decrease) in Cash and Investments:		80,080	(3,149)	4,880	724
Ending Cash and Investments					
5081000	Reserved	72,079	6,419	21,948	15,432
5088000	Unreserved	60,000	-	-	-
Total Ending Cash and Investments		132,079	6,419	21,948	15,432

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		132 Homeless Program	134 Public Facilities	301 Capital Projects	463 Solid Waste
Beginning Cash and Investments					
30810	Reserved	9,373	183,744	136,658	-
30880	Unreserved	-	-	-	242,994
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	147,810	165,097	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	43,416
340	Charges for Goods and Services	84,637	-	-	1,061,080
350	Fines and Penalties	-	-	-	(2)
360	Miscellaneous Revenues	-	-	-	98,978
Total Revenues:		84,637	147,810	165,097	1,203,472
Expenditures					
510	General Government	-	-	4,659	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	1,133,776
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	182,940	-	3,250
560	Social Services	75,055	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		75,055	182,940	4,659	1,137,026
Excess (Deficiency) Revenues over Expenditures:		9,582	(35,130)	160,438	66,446
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	18,400
381, 395, 398	Other Resources	-	3,000	-	-
Total Other Increases in Fund Resources:		-	3,000	-	18,400
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	32,923	1,851
591-593, 599	Debt Service	-	-	-	43,227
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	18,551
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	32,923	63,629
Increase (Decrease) in Cash and Investments:		9,582	(32,130)	127,515	21,217
Ending Cash and Investments					
5081000	Reserved	18,955	151,614	264,173	-
5088000	Unreserved	-	-	-	264,211
Total Ending Cash and Investments		18,955	151,614	264,173	264,211

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		501 Risk Management	502 ER&R	504 Unemployment	505 Information Technology
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	295,014	1,103,494	220,846	97,862
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	8,997
340	Charges for Goods and Services	349,527	1,902,335	6,435	793,375
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	9,497	-	1,036
Total Revenues:		349,527	1,911,832	6,435	803,408
Expenditures					
510	General Government	379,338	-	25,954	486,164
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	1,199,794	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		379,338	1,199,794	25,954	486,164
Excess (Deficiency) Revenues over Expenditures:		(29,811)	712,038	(19,519)	317,244
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	48	-	430
381, 395, 398	Other Resources	-	74,719	-	-
Total Other Increases in Fund Resources:		-	74,767	-	430
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	806,792	-	114,635
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	2	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	806,794	-	114,635
Increase (Decrease) in Cash and Investments:		(29,811)	(19,989)	(19,519)	203,039
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	265,203	1,083,505	201,327	300,901
Total Ending Cash and Investments		265,203	1,083,505	201,327	300,901

Pend Oreille County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	Investment Trust	Private-Purpose Trust	Agency
308	Beginning Cash and Investments	13,982,786	11,230,301	106,898	2,645,587
388 & 588	Prior Period Adjustment, Net	-	-	-	-
310-390	Additions	48,314,397	4,158,580	2,296,274	41,859,543
510-590	Deductions	48,426,859	4,640,839	2,300,765	41,485,255
	Net Increase (Decrease) in Cash and Investments:	(112,462)	(482,259)	(4,491)	374,288
508	Ending Cash and Investments	13,870,325	10,748,042	102,407	3,019,876

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund (001)

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

Special Revenue Funds (100-199)

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

Capital Projects Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

Internal Service Funds (500-599)

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

FIDUCIARY FUND TYPES:

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

Investment Trust Funds (600-609)

These funds should be used to report the external portion of investment pools reported by the sponsoring government

Private Purpose Trust Funds (621-630)

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

Agency Funds (631-699)

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

B. Basis of Accounting and Measurement Focus

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

C. Budgets

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

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

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

<i>Fund/Department</i>	<i>Appropriated Amounts</i>	<i>Supplemental Appropriation</i>	<i>Actual Expenditures</i>	<i>Variance</i>
GENERAL FUND				
001-000-000	\$ 1,379,014		\$ 1,245,391	\$ 133,623
001-000-060	\$ 336,929		\$ 318,919	\$ 18,010
001-000-090	\$ 401,444	\$ 10,000	\$ 408,966	\$ 2,478
001-000-100	\$ 5,360		\$ 2,256	\$ 3,104
001-000-120	\$ 16,055		\$ 10,537	\$ 5,518
001-000-150	\$ 268,376		\$ 257,047	\$ 11,329
001-000-180	\$ 323,296	\$ 240,000	\$ 561,785	\$ 1,511
001-000-190	\$			\$
001-000-200	\$ 32,450		\$ 22,516	\$ 9,934
001-000-210	\$ 510,851		\$ 495,546	\$ 15,305
001-000-240	\$ 567,357		\$ 545,150	\$ 22,207
001-000-285	\$ 119,961	\$ 14,000	\$ 124,284	\$ 9,677
001-000-300	\$ 232,131		\$ 228,066	\$ 4,065
001-000-330	\$ 324,376		\$ 263,528	\$ 60,848
001-000-350	\$ 96,529		\$ 89,908	\$ 6,621
001-000-380	\$ 50,000	\$ 11,530	\$ 61,530	\$ 0
001-000-390	\$ 67,944		\$ 51,095	\$ 16,849
001-000-420	\$ 1,071,177		\$ 907,996	\$ 163,181
001-000-450	\$ 219,759	\$ 12,000	\$ 219,312	\$ 12,447
001-000-455	\$ 33,953		\$ 24,307	\$ 9,646
001-000-475	\$ 293,845	\$ 35,000	\$ 322,793	\$ 6,052
001-000-480	\$ 115,719		\$ 111,145	\$ 4,574
001-000-510	\$ 373,698		\$ 321,750	\$ 51,948
001-000-520	\$ 127,826		\$ 124,131	\$ 3,695
001-000-540	\$ 868,934		\$ 865,957	\$ 2,977
001-000-600	\$ 2,243,180		\$ 2,083,262	\$ 159,918
001-000-660	\$ 370,909		\$ 325,415	\$ 45,494
001-000-690	\$ 360,310		\$ 325,569	\$ 34,741
116-000-000	\$ 10,000	\$	\$ 2,582	\$ 7,418
Total General Fund	\$ 10,821,383	\$ 322,530	\$ 10,320,743	\$ 823,170
101-000-000	\$ 35,000	\$ 5,000	\$ 37,849	\$ 2,151
102-000-000	\$ 2,420,634	\$	\$ 2,075,925	\$ 344,709
103-000-000	\$ 5,584	\$ 1,000	\$ 5,781	\$ 803
104-000-000	\$ 104,250	\$ 9,160	\$ 113,158	\$ 252
105-000-000	\$ 4,300		\$ 2,854	\$ 1,446
110-000-000	\$ 328,418	\$	\$ 53,372	\$ 275,046
111-000-000	\$ 138,000	\$	\$ 0	\$ 138,000
112-000-000	\$ 8,446,477	\$	\$ 4,548,735	\$ 3,897,742
112-000-010	Rolled up to Road Fund	\$	\$ 0	\$
114-000-000	\$ 16,500		\$ 9,926	\$ 6,574
115-000-000	\$ 45,000	\$	\$ 0	\$ 45,000
116-000-000	Rolled up to General Fund	\$	\$	\$
117-000-000	\$ -	\$	\$	\$
118-000-000	\$ 25,500	\$	\$ 9,526	\$ 15,974
119-000-000	\$ 54,746	\$ 20,000	\$ 70,198	\$ 4,548
123-000-000	\$ 22,500	\$	\$ 18,368	\$ 4,132
126-000-000	\$ 61,545	\$	\$ 495	\$ 61,050

127-000-000	\$ 617,138	\$ 30,000	\$ 634,404	\$ 12,734
128-000-000	\$ 7,550	\$	\$ 5,217	\$ 2,333
130-000-000	\$ 73,608	\$	\$ 67,062	\$ 6,546
131-000-000	\$ 15,000	\$ 1,000	\$ 15,093	\$ 907
132-000-000	\$ 80,000	\$	\$ 75,056	\$ 4,944
134-000-000	\$ 123,632	\$ 100,000	\$ 182,940	\$ 40,692
201-000-020		\$		
301-000-040	\$ 7,500	\$ 31,198	\$ 37,583	\$ 1,115
463-000-000	\$ 1,256,244	\$	\$ 1,200,655	\$ 55,589
501-000-000	\$ 349,525	\$ 35,000	\$ 379,338	\$ 5,187
502-000-000	\$ 2,338,500	\$	\$ 2,006,588	\$ 331,912
504-000-000	\$ 10,000	\$ 15,954	\$ 25,954	\$ 0
505-000-000	\$ 620,835	\$	\$ 600,799	\$ 20,036

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

Drug Enforcement fund (126-000-000) budget was adopted by the Pend Oreille Board of Commissioners from the 2017 budget detail worksheet but was omitted on the budget by fund summary sheet attached with the Budget resolution 2016-42.

D. Cash and Investments

See Note 2, *Deposits & Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

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

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

G. Long Term Debt

See Note 5, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

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

- a) General Fund (001-000-180) - The Cash flow reserve was established in 2008 to ensure adequate cash flow throughout the year. Originally set at \$800,000 the reserve was raised to \$1,000,000 in December 2008 by resolution 2008-66. In an effort to balance the 2017 budget, the BOCC found it necessary to decrease the reserve by \$200,000 (Resolution 2016-40) with the intent to return the cash flow to \$1,000,000 when effectual. In addition, Noxious Weed, a department within Current expense (001-000-475), must reserve the difference in income and expenditures in the neighborhood cost-share program (2017-\$13,313), (a federally funded grant program), if there is any carryover.
- b) Reservations of Ending Cash and Investments consist of the following:

FUND	Beginning Reserve	Ending Reserve	Nature of Restriction
001 Current Expense	828,939	813,313	Resolution 2008-66 and Resolution 2016-40 & Federal Grant
101 Arts & Tourism	48,700	64,001	RCW 67.28.180
102 Counseling	1,225,522	1,241,316	RCW 71.24.015 (7) & RCW 71.20.110 & State & Federal Grants
103 Crime Victims	21,139	25,821	RCW 7.68.035
104 Fair	79,004	67,858	RCW 15.76.115
105 Law Library	3,150	3,536	RCW 27.24.070 & RCW 27.24.030
110 Park	102,468	96,604	Resolution 2008-59 and Resolution 98-82
111 Paths & Trails	132,739	141,353	RCW 47.30
112 Road	1,169,434	972,800	RCW 36.82.010 & RCW 82.36.025 & State & Federal Grants
114 Veteran's Assistance	59,946	63,531	RCW 73.08.010
115 Real Estate & Prop Tax Admin	83,192	96,363	RCW 82.45.180 (5a,b,c)
118 Treasurer's O&M	42,368	68,045	RCW 84.56.020
119 Auditor's O&M	119,683	105,723	RCW 36.22.170 & RCW 36.22.175
121 Election Reserve	0	0	Resolution 2004-22
123 Trial Court Improvement	95,675	96,066	RCW 3.58.060

126 Drug Enforcement	63,205	76,364	RCW 69.50.505
127 Emergency 911	0	72,079	RCW 82.14B.030
128 Extension Education	9,568	6,419	Resolution 98-19
130 Growth Management	0	21,948	RCW 36.70.010
131 Low Income Housing	14,708	15,432	RCW 36.22.178
132 Homeless Program	9,373	18,954	RCW 36.22.179
134 Public Facilities	183,744	151,614	RCW 82.14.370
301 Capital Projects	136,658	264,173	RCW 82.46.040

NOTE 2 – DEPOSITS & INVESTMENTS

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

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

Investments are reported at original cost. Investments by type at December 31, 2017 are as follows:

Type of Investment	Pend Oreille County own investments	Investments held by the county as an agent for other local governments, individuals or private organizations	Total
LGIP	<u>\$7,160,740</u>	<u>\$13,063,882</u>	<u>\$20,224,622</u>
US GOVT SEC	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Certificates of Deposit	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Money Market Accounts	<u>\$443,009</u>	<u>\$7,081</u>	<u>\$450,090</u>
Totals	<u><u>\$7,603,749</u></u>	<u><u>\$13,070,963</u></u>	<u><u>\$20,674,712</u></u>

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

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

The amounts reported as net cash and investments also include a compensating balance maintained with the bank in lieu of payments for services rendered. The average compensating balance maintained during 2017 was approximately \$3,064,342.

NOTE 3 - PROPERTY TAX

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

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

Pend Oreille County's regular levy for the year 2017 was \$1.5417932037 per \$1000 on an assessed valuation of \$1,401,975,521 for a total regular levy of \$2,161,556. This includes a levy shift from Road to Current Expense of \$150,000.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy rate for 2017 was \$1.4870707340 per \$1,000 on an assessed valuation of \$1,228,713,173 for a total road levy of \$1,827,184. This amount reflects a levy shift from Road to Current Expense of \$150,000.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2017.

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2017</u>
Fair	Public Facilities	\$24,000	0	\$ 3,000	\$21,000
Growth Management	CE	\$15,000	0	\$15,000	\$ 0

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the County's debt transactions for year ended December 31, 2017.

The debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 64,969	\$11,950	\$ 76,919
2019	\$ 67,568	\$ 8,961	\$ 76,529
2020	\$ 70,947	\$ 5,498	\$ 76,445
2021	\$ 74,494	\$ 1,862	\$ 76,356
2022	\$ 0	\$ 0	\$ 0
TOTALS	\$ <u>277,978</u>	\$ <u>28,271</u>	\$ <u>306,249</u>

Debt Refunding: The County did not issue any refunding debt during the period covered by the financial statement.

Debt Guarantees: The County did not have any debt guarantees for any entity during the period covered by the

financial statement.

NOTE 6 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in the following statewide retirement system 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 1,2,3); Public Safety Employees' Retirement System (PSERS) and 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.

At June 30, 2017 (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:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$360,928	.0600020%	\$2,847,142
PERS 2/3	\$423,773	.0693810%	\$2,410,658
PSERS 2	\$ 28,777	.1233340%	\$ 24,165
LEOFF 1	0	.0018160%	(\$ 27,553)
LEOFF 2	\$ 55,784	.0353120%	(\$ 490,016)

LEOFF Plan 1

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

LEOFF Plan 2

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

NOTE 7 – RISK MANAGEMENT

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2017, Pend Oreille County selects a per-occurrence deductible of \$10,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2016-17, the “corridor” increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2016-17, Pend Oreille County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

The Pool is governed by a board of directors which is comprised of one designated representative from each

participating member. The Board of Directors generally meets three-times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

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

During 2016-17, the WCRP's assets remained stable at \$46.8 million while its liabilities decreased slightly to \$28.6 million. The Pool's net position increased slightly from \$17.9 million to \$18.1 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2017 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

NOTE 8 – OTHER DISCLOSURES

- a) Whisper Point Development: The amount of \$588,235.75 was received on August 9, 2017 and deposited in Treasurer's Suspense as a financial guarantee for completion of the Whisper Point Sewer System Construction, Phase II, Large On-site Sewer System (LOSS), prior to the approval of the plat per Pend Oreille County Development Regulations (XX.02.040) and RCW 58.17.130. Upon receipt of acceptable documentation and verification by inspection, the county will release the funds.
- b) During Budget hearings for 2018, City of Newport failed to reach an agreement and discontinued to contract with the Pend Oreille County Sheriff for policing for 2018,
- c) Budget hearings for 2018 included monies in the expenditure budget for the contractual provision that negotiations begin between Pend Oreille County and Seattle City Lights for the contract expiring in 2019.
- d) Washington State law requires counties to act as a fiscal agent on behalf of special purpose districts. The resources collected and held for these districts in a custodial capacity were previously omitted from the financial statements. Starting in fiscal year 2017, counties are required to report the custodial amounts on their financial statements. This requirement resulted an addition of \$13,711,186 in custodial deposits reported in the statement of Fiduciary Fund Resources and Uses Arising from Cash Transactions for the year beginning January 1, 2017. In addition, these amounts are now required to be presented by fund type rather than by individual fund.

**Pend Oreille County
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.96	3.31.16 LOCAL SOLID WASTE Portion	6/1/2021	198,338	-	34,914	163,424
263.96	3.31.16 LCOAL CE/HVAC Portion	6/1/2021	139,028	-	24,474	114,554
Total General Obligation Debt/Liabilities:			337,366	-	59,388	277,978
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,286,860	796,334	798,630	1,284,564
264.30	Pension Liabilities		6,641,281	-	1,359,316	5,281,965
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,928,141	796,334	2,157,946	6,566,529
Total Liabilities:			8,265,507	796,334	2,217,334	6,844,507

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, AGRICULTURE, DEPARTMENT OF (via Office of State Treasurer)	Schools and Roads - Grants to States	10.665	Federal Forest Yield	75,325	-	75,325	-		
	Total Forest Service Schools and Roads Cluster:			75,325	-	75,325	-		
Office for Victims of Crime, JUSTICE, DEPARTMENT OF (via Washington State Dept of Commerce)	Crime Victim Assistance	16.575	S17-31102-537	24,518	-	24,518	-		
Office for Victims of Crime, JUSTICE, DEPARTMENT OF (via Washington State Dept of Commerce)	Crime Victim Assistance	16.575	S18-31102-537	23,182	-	23,182	-		
				Total CFDA 16.575:	-	47,700	-		
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Washington State Dept of Commerce)	Violence Against Women Formula Grants	16.588	F15-31103-052	29,348	-	29,348	-		
Highway Planning and Construction Cluster									
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State Dept of Transportation)	Highway Planning and Construction	20.205	BRS-T261(005)	31,594	-	31,594	-		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-F260 (005)	23,094	-	23,094	-		

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, TRANSPORTATION, DEPARTMENT OF (via State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-F260 (004)	129,615	-	129,615	-	
Total Highway Planning and Construction Cluster:				184,303	-	184,303	-	
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATOR, TRANSPORTATION, DEPARTMENT OF (via WA State Military Dept)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E16209	745	-	745	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1563-42489	25,859	-	25,859	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1763-94265	19,511	-	19,511	-	
Total CFDA 93.243:				45,370	-	45,370	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Child Support Enforcement	93.563	0763-15091	919	-	919	-	3.2

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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		
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Child Support Enforcement	93.563	2110-80328	64,755	-	64,755	-	3.2
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Child Support Enforcement	93.563	2110-80328	18,393	-	18,393	-	3.2
Total CFDA 93.563:				84,067	-	84,067	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Spokane County)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	16BHO1938	219	-	219	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Spokane County)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	16BHO1937	104,226	-	104,226	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Spokane County)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	17BH02124	95,226	-	95,226	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1763-94265 (17 -19 Biennium)	20,839	-	20,839	-	

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42489 (15 -17 Biennium)	22,062	-	22,062	-	
			Total CFDA 93.959:	242,572	-	242,572	-	
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via WA State Parks & Rec)	Boating Safety Financial Assistance	97.012	3317FAS17015 3	5,863	-	5,863	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17132	32,593	-	32,593	-	2
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E17147	18,000	-	18,000	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Homeland Security Grant Program	97.067	E17185	3,833	-	3,833	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Homeland Security Grant Program	97.067	E17082 / GSEM1611	13,014	-	13,014	-	

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

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, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Homeland Security Grant Program	97.067	E17169	20,544	-	20,544	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15115	29,042	-	29,042	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Homeland Security Grant Program	97.067	E16178	42,348	-	42,348	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Homeland Security Grant Program	97.067	E16076	16,364	-	16,364	-	
Total CFDA 97.067:				125,145	-	125,145	-	
Total Federal Awards Expended:				891,031	-	891,031	-	

PEND OREILLE COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For Year Ended December 31, 2017

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COST

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

NOTE 3 – INDIRECT COST RATE

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

The amount expended for 2017 for Child Support Superior Court includes \$129 claimed as an indirect cost recovery using an approved indirect cost rate of 15.02% and Child Support Prosecutor includes \$9,925 claimed as an indirect cost recovery using an approved indirect cost rate of 15.02% and Child Support County Clerk includes \$26,594 claimed as an indirect cost recovery using an approved indirect cost rate of 15.02%.

NOTE 4 – NONCASH AWARDS- EQUIPMENT

Pend Oreille County received equipment and supplies that were purchased with Federal grant funds from USDOJ/OJP/ODP State Domestic Preparedness Equipment Program by Spokane City/County Department of Emergency Management. The amount reported on the schedule is the value of the property on the date it was received by Pend Oreille County and priced by Spokane City/County DEM.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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