



Office of the Washington State Auditor
Pat McCarthy

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

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

Published September 20, 2018

Report No. 1022194





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

September 20, 2018

Board of Commissioners
Douglas County
East Wenatchee, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Douglas 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,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Douglas County January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Douglas 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 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 2017-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2017-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Douglas County

January 1, 2017 through December 31, 2017

2017-001 The County's internal controls over financial statement preparation were inadequate to ensure accurate reporting.

Background

County commissioners, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. 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.

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

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting which, when taken together, represent a material weakness:

- Management did not have a process to eliminate intrafund activity within the County's agency funds.
- Management's reconciliation of ending cash and investments was not effective at identifying cash paid out for debt payments by the County's fiscal agent before year-end.
- Management's review of the year-end financial statements was not effective to ensure proper classification of certain revenues and correct reporting of certain cash and investments amounts as reserved.

Cause of Condition

Although management had a process to identify and eliminate intrafund activity for County funds reported on its financial statements, it did not have a process for eliminating this activity for the County's agency funds.

In addition, County staff did not post debt service payments made by the fiscal agent until the County received the related statement, which was after year-end.

Finally, County staff did not sufficiently understand reporting requirements and applicable laws and regulations governing the purpose and use of revenues within the Storm Water Utility fund and Equipment Rental and Revolving (ER&R) fund.

Effect of Condition

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

- Overstated additions and deductions on the statement of Fiduciary Fund Resources and Uses Arising from Cash Transactions by \$112 million because it did not eliminate intrafund activity
- Overstated ending cash and investments by \$6.2 million because it reported cash held by a fiscal agent that was disbursed before year-end
- Misclassified \$7.3 million of reserved ending cash and investments for the Storm Water Utility fund and ER&R fund as unreserved
- Misclassified \$1.2 million of charges for goods and services in the Storm Water Utility Fund as miscellaneous revenues

Recommendations

We recommend the County:

- Establish controls effective to identify and eliminate all intrafund activity
- Reduce reported cash and investments to account for cash disbursements by its fiscal agent
- Establish a more effective review of revenue and ending cash and investment classifications
- Provide adequate time and additional training to staff responsible for financial accounting and reporting

County's Response

The County's Chief Accountant prepares the Financial Statements and the Transportation and Land Services Accounting Manager reviews the report for accuracy. A majority of the above stated issues were a result of recent BARS manual changes. The County will implement a more thorough review process to make sure any future BARS manual reporting changes are implemented accurately.

Auditor's Remarks

We appreciate the steps the County is taking to resolve the issue. We will review the condition during our next audit.

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.

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.

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

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Douglas County January 1, 2017 through December 31, 2017

2017-002 The County did not have adequate internal controls to comply with Davis-Bacon Act (wage rate) requirements.

CFDA Number and Title:	20.205, Highway Planning and Construction
Federal Grantor Name:	Federal Highway Administration, Department of Transportation
Federal Award/Contract Number:	STPUS-5902(002); HSIP-M092(003)
Pass-through Entity Name:	Washington State Department of Transportation
Pass-through Award/Contract Number:	STPUS-5902(002); HSIP-M092(003)
Questioned Cost Amount:	\$0

Background

In fiscal year 2017, the County spent \$1,074,714 in federal Highway Planning and Construction funds.

The Davis-Bacon Act (Act) requires all laborers and mechanics employed by contractors or subcontractors to 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 or 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). The prime contractor may collect the weekly certified payrolls 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 its prime contractor collected all weekly certified payroll reports from each of its 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 when contractors and subcontractors worked on projects using inspector daily reports. However, the County did not use that information to verify that it received all weekly-certified payrolls for subcontractors for those periods.

Effect of Condition and Questioned Costs

The County was not aware that all weekly certified payrolls for four subcontractors were missing. Additionally, the County did not detect that six of the 50 required weekly certified payrolls from other subcontractors were missing.

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 to ensure compliance with the Act's requirements, including implementing effective processes to ensure weekly certified payrolls from prime contractors and subcontractors are collected and reviewed in a timely manner.

County's Response

In the future, no payments will be made to contractors until they provide us with certified payrolls and these are provided to the accounting manager for review.

Auditor's Remarks

We appreciate the steps the County is taking to resolve the issue. We will review the condition during our next audit.

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 and 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**

**Douglas County
January 1, 2017 through December 31, 2017**

Board of Commissioners
Douglas County
East Wenatchee, 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 Douglas 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 11, 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 13 to the financial statements, during the year ended December 31, 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

COUNTY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy
State Auditor
Olympia, WA

September 11, 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**

Douglas County
January 1, 2017 through December 31, 2017

Board of Commissioners
Douglas County
East Wenatchee, Washington

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

We have audited the compliance of Douglas 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

County's Response to Findings

The County's response to the noncompliance 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.

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 2017-002 to be a material weakness.

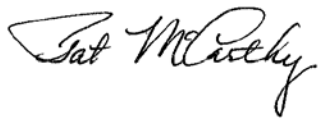
County's Response to Findings

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 11, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Douglas County **January 1, 2017 through December 31, 2017**

Board of Commissioners
Douglas County
East Wenatchee, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Douglas 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 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, Douglas 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 Douglas 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 Douglas 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 13 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 11, 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 11, 2018

FINANCIAL SECTION

Douglas 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 the 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

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

		Total for All Funds (Memo Only)	001 General	102 CRIME VICTIMS	104 LAW LIBRARY
Beginning Cash and Investments					
30810	Reserved	34,639,616	413,446	-	18,904
30880	Unreserved	14,165,857	7,176,703	(15,311)	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	19,816,702	12,415,368	-	-
320	Licenses and Permits	951,506	15,414	-	-
330	Intergovernmental Revenues	16,318,356	1,436,434	91,819	-
340	Charges for Goods and Services	29,136,238	1,515,729	30,052	9,202
350	Fines and Penalties	764,739	760,672	-	-
360	Miscellaneous Revenues	4,012,378	1,019,753	-	-
Total Revenues:		70,999,920	17,163,370	121,870	9,202
Expenditures					
510	General Government	8,480,862	6,077,903	68,354	-
520	Public Safety	8,665,053	7,734,564	-	-
530	Utilities	814,636	-	-	-
540	Transportation	10,530,866	11,359	-	-
550	Natural and Economic Environment	1,136,543	182,055	-	-
560	Social Services	31,898,484	166,991	-	-
570	Culture and Recreation	672,063	137,226	-	19,735
Total Expenditures:		62,198,507	14,310,099	68,354	19,735
Excess (Deficiency) Revenues over Expenditures:		8,801,413	2,853,271	53,516	(10,533)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,515,682	221,968	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	21,376	8,899	-	-
381, 395, 398	Other Resources	210,493	41,218	-	-
Total Other Increases in Fund Resources:		4,747,550	272,084	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	9,949,841	53,763	-	-
591-593, 599	Debt Service	1,005,354	-	-	-
597	Transfers-Out	4,423,825	3,315,993	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	151,243	33,290	-	-
Total Other Decreases in Fund Resources:		15,530,264	3,403,046	-	-
Increase (Decrease) in Cash and Investments:		(1,981,299)	(277,689)	53,516	(10,533)
Ending Cash and Investments					
5081000	Reserved	37,946,047	461,873	38,205	8,372
5088000	Unreserved	8,878,132	6,850,585	-	-
Total Ending Cash and Investments		46,824,179	7,312,458	38,205	8,372

The accompanying notes are an integral part of this statement.

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

		105 NCWFAIR	109 TREAS M&O	112 AUD M & O	114 WSU PUB
Beginning Cash and Investments					
30810	Reserved	18,489	117,467	87,851	85,797
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	33,389	-	53,502	729
340	Charges for Goods and Services	91,404	18,639	25,038	17,203
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	114,025	1,150	767	17,033
Total Revenues:		238,818	19,789	79,306	34,965
Expenditures					
510	General Government	-	25,408	43,485	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	410,202	-	-	41,956
Total Expenditures:		410,202	25,408	43,485	41,956
Excess (Deficiency) Revenues over Expenditures:		(171,384)	(5,619)	35,822	(6,991)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	156,115	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	5
381, 395, 398	Other Resources	33,290	-	-	-
Total Other Increases in Fund Resources:		189,405	-	-	5
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	29,011	-
591-593, 599	Debt Service	26	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	33,290	-	-	-
Total Other Decreases in Fund Resources:		33,316	-	29,011	-
Increase (Decrease) in Cash and Investments:		(15,295)	(5,619)	6,811	(6,986)
Ending Cash and Investments					
5081000	Reserved	3,193	111,849	94,661	78,811
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		3,193	111,849	94,661	78,811

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

		118 PATHS AND TRAILS	119 COUNTY ROAD	120 VET'S REL	121 ELEC RES
Beginning Cash and Investments					
30810	Reserved	-	3,195,403	63,788	1,191,968
30880	Unreserved	16,325	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	5,927,846	62,505	-
320	Licenses and Permits	-	149,391	-	-
330	Intergovernmental Revenues	18,530	6,136,499	-	-
340	Charges for Goods and Services	-	857,172	-	66,956
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	134	26,462	139	1,678
Total Revenues:		18,664	13,097,370	62,645	68,634
Expenditures					
510	General Government	-	707,169	-	724
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	8,533,800	-	-
550	Natural and Economic Environment	-	-	19,636	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	9,240,969	19,636	724
Excess (Deficiency) Revenues over Expenditures:		18,664	3,856,401	43,009	67,910
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	486,242	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	11,612	-	-
Total Other Increases in Fund Resources:		-	497,854	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	3,376,900	-	-
591-593, 599	Debt Service	-	530,647	-	-
597	Transfers-Out	14,609	-	-	191,968
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	84,663
Total Other Decreases in Fund Resources:		14,609	3,907,547	-	276,631
Increase (Decrease) in Cash and Investments:		4,055	446,708	43,009	(208,721)
Ending Cash and Investments					
5081000	Reserved	20,380	3,642,121	106,797	983,246
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		20,380	3,642,121	106,797	983,246

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

		122 CAAP	126 LAW AND JUSTICE	127 CUMUL RES	128 DRUG
Beginning Cash and Investments					
30810	Reserved	-	-	41,459	37,968
30880	Unreserved	280,688	(5,592)	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	489,505	515,261	-	6,086
340	Charges for Goods and Services	-	8,298	-	-
350	Fines and Penalties	-	-	-	4,067
360	Miscellaneous Revenues	-	-	20	7,227
Total Revenues:		489,505	523,559	20	17,381
Expenditures					
510	General Government	-	234,387	2,052	-
520	Public Safety	-	289,068	-	17,685
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	523,455	2,052	17,685
Excess (Deficiency) Revenues over Expenditures:		489,505	104	(2,032)	(305)
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	450,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		450,000	-	-	-
Increase (Decrease) in Cash and Investments:		39,505	104	(2,032)	(305)
Ending Cash and Investments					
5081000	Reserved	320,193	-	39,428	37,664
5088000	Unreserved	-	(5,488)	-	-
Total Ending Cash and Investments		320,193	(5,488)	39,428	37,664

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

		129 RSN	130 DD	133 BOAT SAFE	144 CW S.W.
Beginning Cash and Investments					
30810	Reserved	12,581,466	424,732	9,796	552,417
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	63,354	62,651	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	5,965,728	1,236,024	30,449	188,405
340	Charges for Goods and Services	23,213,000	139,481	-	269,336
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	80,247	-	2,009	17,150
Total Revenues:		29,322,329	1,438,157	32,458	474,891
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	375,589
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	30,330,274	1,401,219	-	-
570	Culture and Recreation	-	-	36,419	-
Total Expenditures:		30,330,274	1,401,219	36,419	375,589
Excess (Deficiency) Revenues over Expenditures:		(1,007,945)	36,937	(3,961)	99,302
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	53,171
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	7,099
Total Other Increases in Fund Resources:		-	-	-	60,270
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,519,076	-	-	98,922
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:		2,519,076	-	-	98,922
Increase (Decrease) in Cash and Investments:		(3,527,021)	36,937	(3,961)	60,650
Ending Cash and Investments					
5081000	Reserved	9,054,445	461,669	5,834	613,068
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		9,054,445	461,669	5,834	613,068

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

		146		152 RETIRE	
		PROBATION	147 RISK POOL	CONT	157 CEERP
Beginning Cash and Investments					
30810	Reserved	40,632	609,194	93,366	988,588
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	5,239
340	Charges for Goods and Services	157,483	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	21,822	343,942	-	149,076
Total Revenues:		179,305	343,942	-	154,315
Expenditures					
510	General Government	174,786	367,628	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		174,786	367,628	-	-
Excess (Deficiency) Revenues over Expenditures:		4,519	(23,686)	-	154,315
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	161,466
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	74,920
Total Other Increases in Fund Resources:		-	-	-	236,386
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	431,987
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:		-	-	-	431,987
Increase (Decrease) in Cash and Investments:		4,519	(23,686)	-	(41,286)
Ending Cash and Investments					
5081000	Reserved	45,151	585,508	93,366	947,303
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		45,151	585,508	93,366	947,303

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

		158 CO COM DEV	161 LEGAL OBL	163 BUILD MAIN	164 DV ADVOC
Beginning Cash and Investments					
30810	Reserved	129,297	22,891	1,628,308	1,579
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	3,032	-	-
340	Charges for Goods and Services	38,384	-	-	16
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	20,088	-
Total Revenues:		38,384	3,032	20,088	16
Expenditures					
510	General Government	-	225	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	10,932	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		10,932	225	-	-
Excess (Deficiency) Revenues over Expenditures:		27,452	2,807	20,088	16
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
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:		-	-	-	-
Increase (Decrease) in Cash and Investments:		27,452	2,807	20,088	16
Ending Cash and Investments					
5081000	Reserved	156,749	25,697	1,648,396	1,595
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		156,749	25,697	1,648,396	1,595

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

		<u>165 COURT IMP</u>	<u>167 FAIR DRIV</u>	<u>168 HOMELESS</u>	<u>169 HIST PRES</u>
Beginning Cash and Investments					
30810	Reserved	23,130	639	112,201	77,076
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	23,449	-	-	-
340	Charges for Goods and Services	-	50	203,293	8,239
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		<u>23,449</u>	<u>50</u>	<u>203,293</u>	<u>8,239</u>
Expenditures					
510	General Government	1	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	209,601	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	2	-	-
Total Expenditures:		<u>1</u>	<u>2</u>	<u>209,601</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>23,448</u>	<u>48</u>	<u>(6,308)</u>	<u>8,239</u>
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	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
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:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		23,448	48	(6,308)	8,239
Ending Cash and Investments					
5081000	Reserved	46,578	687	105,893	85,315
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		46,578	687	105,893	85,315

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

		170 DV PREVENT	171 HOST FEES	173 WM SCHOLAR	174 NCW FAIR RACE HORSE
Beginning Cash and Investments					
30810	Reserved	3,098	-	5,728	9,272
30880	Unreserved	-	977,388	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	144,515	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	309	24,651	6,015	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	8,652	-	24,610
Total Revenues:		309	177,818	6,015	24,610
Expenditures					
510	General Government	-	3,212	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	26,522
Total Expenditures:		-	3,212	-	26,522
Excess (Deficiency) Revenues over Expenditures:		309	174,606	6,015	(1,912)
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	20,857	1,363	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	20,857	1,363	-
Increase (Decrease) in Cash and Investments:		309	153,749	4,652	(1,912)
Ending Cash and Investments					
5081000	Reserved	3,407	1,131,136	10,380	7,360
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		3,407	1,131,136	10,380	7,360

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

		176 DO CO JAIL	177 PEST CONTROL	178 LOCAT TRIAL CRT	179 E-REET ANNUAL REVAL
Beginning Cash and Investments					
30810	Reserved	4,594,328	3,373	25,098	16,130
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	11,277
340	Charges for Goods and Services	-	-	4,365	4,883
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	51,526	-	-
Total Revenues:		-	51,526	4,365	16,160
Expenditures					
510	General Government	-	-	-	4,289
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	52,907	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	52,907	-	4,289
Excess (Deficiency) Revenues over Expenditures:		-	(1,381)	4,365	11,870
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,000,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		2,000,000	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,047,477	-	-	-
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:		2,047,477	-	-	-
Increase (Decrease) in Cash and Investments:		(47,477)	(1,381)	4,365	11,870
Ending Cash and Investments					
5081000	Reserved	4,546,851	1,993	29,463	28,000
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		4,546,851	1,993	29,463	28,000

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

		<u>204 LGO BOND</u>	<u>301 DISTRESS1</u>	<u>302 FAIR CAP RES</u>	<u>303 CE CAP</u>
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	174,802	568	1,660,340
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	396,156	-	492,666
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	244	-	3
Total Revenues:		-	396,400	-	492,670
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	396,400	-	492,669
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	346,450	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		346,450	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,479	-	521
591-593, 599	Debt Service	346,450	-	-	-
597	Transfers-Out	-	346,450	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		346,450	347,929	-	521
Increase (Decrease) in Cash and Investments:		-	48,471	-	492,148
Ending Cash and Investments					
5081000	Reserved	-	223,273	-	2,152,489
5088000	Unreserved	-	-	568	-
Total Ending Cash and Investments		-	223,273	568	2,152,489

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

		311 DISTRESS 2	314 POST ANNEXATION	315 FINSFTIMPL	317 BAKER CORRIDOR
Beginning Cash and Investments					
30810	Reserved	-	-	30,954	21,509
30880	Unreserved	1,012,703	1,056,118	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	396,155	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	6,683	9,003	-	125
Total Revenues:		402,838	9,003	-	125
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		402,838	9,003	-	125
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	213,870	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	21,634
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		213,870	-	-	21,634
Increase (Decrease) in Cash and Investments:		188,968	9,003	-	(21,509)
Ending Cash and Investments					
5081000	Reserved	1,201,671	1,065,120	30,954	-
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		1,201,671	1,065,120	30,954	-

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

		318 PARKSIDE	320 MILLER STREET CAP RES	403 LAND USE & BUILDING SERVICES	404 STORM WATER UTILITY
Beginning Cash and Investments					
30810	Reserved	12,441	-	-	5,028,963
30880	Unreserved	-	350,573	911,407	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	642,186	-
330	Intergovernmental Revenues	-	-	48,000	25,000
340	Charges for Goods and Services	-	-	522,372	1,154,583
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	88	-	2	78,506
Total Revenues:		88	-	1,212,560	1,258,089
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	623,736	-
530	Utilities	-	-	-	439,047
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	661,413	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	1,285,149	439,047
Excess (Deficiency) Revenues over Expenditures:		88	-	(72,589)	819,042
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	561,950	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	(171)	220
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	561,779	220
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	824,012
591-593, 599	Debt Service	-	-	-	99,434
597	Transfers-Out	-	-	30,951	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	30,951	923,446
Increase (Decrease) in Cash and Investments:		88	-	458,239	(104,184)
Ending Cash and Investments					
5081000	Reserved	12,529	350,573	-	4,924,778
5088000	Unreserved	-	-	1,369,646	-
Total Ending Cash and Investments		12,529	350,573	1,369,646	4,924,778

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

		<u>501 ER&R</u>	<u>502 UECOMP</u>	<u>503 MIS</u>
Beginning Cash and Investments				
30810	Reserved	2,320,870	-	-
30880	Unreserved	-	461,307	107,836
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	395,912	77,304	276,868
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	2,010,212	-	-
Total Revenues:		2,406,124	77,304	276,868
Expenditures				
510	General Government	-	34,833	736,406
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	1,985,707	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		1,985,707	34,833	736,406
Excess (Deficiency) Revenues over Expenditures:		420,417	42,471	(459,538)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	528,319
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	12,424
381, 395, 398	Other Resources	42,354	-	-
Total Other Increases in Fund Resources:		42,354	-	540,743
Other Decreases in Fund Resources				
594-595	Capital Expenditures	352,823	-	-
591-593, 599	Debt Service	28,797	-	-
597	Transfers-Out	-	-	30,000
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		381,620	-	30,000
Increase (Decrease) in Cash and Investments:		81,151	42,471	51,205
Ending Cash and Investments				
5081000	Reserved	2,402,021	-	-
5088000	Unreserved	-	503,779	159,042
Total Ending Cash and Investments		2,402,021	503,779	159,042

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

		Total for All Funds (Memo Only)	Private-Purpose Trust	Agency
308	Beginning Cash and Investments	63,854,029	24,608	63,829,421
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	167,364,490	13,838	167,350,652
510-590	Deductions	150,753,907	12,128	150,741,779
	Net Increase (Decrease) in Cash and Investments:	16,610,583	1,710	16,608,872
508	Ending Cash and Investments	80,464,611	26,318	80,438,294

The accompanying notes are an integral part of this statement.

Douglas County, Washington

Notes to the Financial Statements

December 31, 2017

Note 1. Summary of Significant Accounting Policies

Douglas County, Washington, was incorporated on November 28, 1883 and operates under the laws of the State of Washington applicable to a fourth class county. The county is a general-purpose government and provides planning and zoning, public safety, road improvement, judicial administration, health and social services, and general administrative services. The County uses single-entry, cash basis accounting which is a departure from Generally Accepted Accounting Principles (GAAP).

The 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 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 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. Basis of Presentation - Fund Accounting

Financial transactions of the county 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 county'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 Funds

The General Fund is the general operating and administrative fund of the County. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

Special Revenue Funds account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted by agreements or state statutes to expenditures for specific purposes. The County's special revenue funds account for operations such as roads, health and social services.

Debt Service Funds account for the accumulation of resources to pay principal, interest, and related costs on general long-term debt.

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

Proprietary Funds

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

Internal Service Funds account for operations that provide goods or services to other departments or funds of the County or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds are used to account for assets held by the County in a trustee capacity on behalf of others.

Private Purpose Trust Funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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

B. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Douglas County maintains its governmental, fiduciary and internal service funds on a cash basis method. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law. In accordance with state law the county also

recognized expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

This prescribed cash basis accounting is a departure from generally accepted accounting principles (GAAP).

C. Budgets and Budgetary Accounting

1. Scope of Budget

The County adopts annual appropriated budgets for the general, special revenue, debt service, capital projects, and proprietary funds. Annual appropriated budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the authority for expenditures at that level. Appropriations for these funds lapse at year-end.

Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object.

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:

	Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001	General Fund			
2	WSU	158,508.00	137,225.95	21,282.05
3	ASSESSOR	721,033.00	700,340.98	20,692.02
5	ALCOHOL C	2,000.00	1,962.20	37.80
6	CLERK	398,844.00	364,764.22	34,079.78
7	CIVIL SERV	14,836.00	10,595.53	4,240.47
8	COMM	431,444.00	415,288.85	16,155.15
9	FACILITIES	340,226.00	251,886.43	88,339.57
10	DISAB BRD	2,000.00		2,000.00

11	BOUNDARY R	9,220.00	4,080.59	5,139.41
13	ELECTIONS	353,144.00	293,790.47	59,353.53
16	BOE	8,557.00	3,502.00	5,055.00
18	INTRPSVCS	117,324.00	117,475.07	-151.07
19	DIST CRT	752,965.00	742,171.52	10,793.48
20	JUVENILE	538,876.00	538,875.42	0.58
21	NONDEPT	4,875,860.00	4,345,789	530,071.00
25	AG SUPPORT	83,000.00	78,385.39	4,614.61
26	PROSECUTOR	661,808.00	623,176.46	38,631.54
28	SHERIFF	4,539,288.00	4,388,814.96	150,473.04
29	SUPER CRT	358,568.00	294,368.06	64,199.94
30	TREASURER	422,698.00	389,989.07	32,708.93
31	HEALTH SER	165,194.00	165,194.26	-0.26
36	AUDITOR	523,641.00	523,590.80	50.20
37	ANIMAL CTL	110,000.00	86,016.99	23,983.01
38	REG JUVE J	390,000.00	397,290.00	-7,290.00
39	REG JAIL	1,300,000.00	962,714.59	337,285.41
40	RIVERCOM	1,607,253.00	1,513,162.78	94,090.22
41	ADMIN SERV	412,280.00	348,839.96	63,440.04
124	SOLID WST	23,250	13,572.25	9,677.75
155	LOCAL GOV	1,380,675.00	280.91	1,380,394.09
162	TENT CAMP			0.00
180	TECH REVOLVING			0.00
	Total Genaral Fund	20,702,492.00	17,713,144.73	2,989,347.27
102	CV COMP	74,778.00	68,353.68	6,424.32
104	LAW LIBR	20,000.00	19,734.73	265.27
105	FAIR	445,962.00	443,518.72	2,443.28
109	TREAS M&O	28,231.00	25,407.72	2,823.28
112	AUD M & O	121,429.00	72,495.76	48,933.24
114	WSU PUB	31,783.00	41,956.23	-10,173.23
118	P&T	17,500	14,609.00	2,891.00
119	CR	16,657,284	13,148,516.00	3,508,768.00
120	VET'S REL	60,000.00	19,635.50	40,364.50
121	ELEC RES	293,631.00	277,355.45	16,275.55
122	CAPP	450,000	450,000.00	0.00
126	L & J	625,555.00	523,454.94	102,100.06
127	CUMUL RES	41,474.00	2,052.00	39,422.00
128	DRUG	44,741.00	17,685.23	27,055.77
129	RSN	39,874,833.00	32,849,349.87	7,025,483.13
130	DD	1,487,335.00	1,401,218.93	86,116.07
133	BOAT SAFE	50,007.00	36,419.47	13,587.53

144	CW S.W.	520,303.00	474,511.00	45,792.00
146	PROBATION	226,744.00	174,785.79	51,958.21
147	RISK POOL	376,485.00	367,627.59	8,857.41
152	RET CONT	93,366.00		93,366.00
157	CEERP	435,856.00	431,987.08	3,868.92
158	CO COM DEV	95,000.00	10,931.68	84,068.32
161	LEGAL OBL	6,023.00	225.45	5,797.55
163	BUILD MAIN	500,000.00		500,000.00
165	COURT IMP	45,000.00	1.00	44,999.00
167	FAIR DRIV	500.00	2.00	498.00
168	HOMELESS	299,000.00	209,601.40	89,398.60
169	HIST PRES	40,000		40,000.00
171	HOSTFEES	30,150.00	24,069.00	6,081.00
174	FAIRRACESP	28,000.00	26,522.00	1,478.00
176	DO CO JAIL	2,500,000	2,047,477.30	452,522.70
177	PEST CONTR	53,000.00	52,906.69	93.31
179	EREET REVA	5,000.00	4,289.32	710.68
204	LGO BOND	351,150.00	346,450.00	4,700.00
301	DISTRESS1	350,000.00	347,929.00	2,071.00
302	FAIR CAP	568.00		568.00
303	CE CAP	800,000.00	521.00	799,479.00
311	DISTRESS 2	500,000.00	213,869.87	286,130.13
315	FINSFTIMPL	31,053		31,053.00
317	BAKER CORRIDOR	22,028	21,634.00	394.00
318	PARKSIDEPR	12,448		12,448.00
403	LUB	1,553,493	1,316,100.00	237,393.00
404	SWU	2,966,964.00	1,362,493.00	1,604,471.00
501	ERR	3,541,577.00	2,367,327.00	1,174,250.00
502	UECOMP	150,000.00	34,833.00	115,167.00
503	MIS	787,188.00	766,405.67	20,782.33

2. Procedures for Adopting the Original Budget

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

- a. The County Auditor submits a proposed budget to the County Commission. This budget is based on priorities established by the Commission and estimates provided by County departments during the preceding months, and balanced with revenue estimates made by the County Treasurer.

- b. The Commission conducts public hearings on the proposed budget in December.
- c. The Commission makes its adjustments to the proposed budget and adopts by resolution a final balanced budget no later than December 31.

3. Amending the Budget

The County Auditor is authorized to transfer budget amounts within departments within any fund; however, any revisions that alter the total expenditures of the county, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment, or capital expenditures must be approved by the County Commission.

When the County Commission determines that it is in the best interest of the County to increase or decrease the appropriation for a particular fund/department/object class it may do so by resolution approved by a simple majority after holding two public hearings.

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

D. Cash and Investments

It is the County's policy to invest all temporary cash surpluses. This 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 credited to the General Fund. See Note 3

E. Interfund Loans

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." A separate schedule of interfund loans receivable and payable is furnished in Note 10.

F. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The county records all accumulated unused vacation and sick leave. The balances at year-end are carried over into the following year.

Vacation pay, which may be accumulated up to 320 hours, is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours. Upon resignation, retirement or death, any sick leave accrued over 720 hours up to 960 hours will be paid. Payments are recognized as expenditures when paid.

G. Long-Term Debt - See Note 8.

H. Capital Assets

Capital assets are long-lived assets of the county with an initial individual cost of more than \$5,000. Capital assets and inventory are recorded as expenditures when purchased.

I. Reserved Fund Balance

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

Reservations of Ending Cash and Investments consist of the following:

Fund Type/Purpose	Reserved by External Party	Restriction Reference	Reserved by Board Action
<i>General Fund:</i>			
Capital Projects		RESOLUTION 04-54	246,062
Land Fill Closure/Monitoring			14,474
Employee Buyouts			150,000
Technology			51,337
<i>Special Revenue:</i>			
Crime Victims	38,205	RCW 7.68.035	
Law Library	8,372	RCW 27.24.070	
NCW Fair			3,193
Treasurer M and O	111,849	RCW 86.54.020 (9)	
Auditor's M and O	94,661	RCW 36.22.170	
WSU Publications Sales and Classes		RESOLUTION CE 98-018	78,811
Paths and Trails	20,380	RCW 47.30.050	
County Road	3,642,121	RCW 36.82.020 funded by taxes and grants	
Veteran Relief	106,797	RCW 73.08.010	
Election Reserve	983,246	RCW 36.33.200	
CAPP	320,193	WAC 136-300-080	
Cumulative Health Reserve		RESOLUTION CE 86-26	39,428
Drug Reserve	37,664	RCW 10.105.010 7c	
Chelan Douglas RSN-Mental Health	9,054,445	WAC 388-865-0232	
Developmental Disabilities	461,669	RCW 71A	

Boating Safety	5,834	RCW 88.02.650	
County Wide Solid Waste	613,068	RCW 36.58	
Probation Assessment	45,151	RCW 10.64.120 and AGO 1968 No. 17 - May 02, 1968	
County Risk Pool		RESOLUTION CE 03-54	585,508
Retirement Contingency		RESOLUTION CE 99-077	93,366
Equipment Replacement			947,303
County Community Development	156,749	RCW 36.22.178	
Legal Financial Obligations	25,697	RCW 9.94a.760	
Building Maintenance		RESOLUTION 04-84	1,648,396
Domestic Court Advocate	1,595	RCW 26.12.220	
Trial Court Improvement	46,578	RCW 3.58.060	
NCW Fair Driving Range		RESOLUTION 05-65	687
Low Income housing	105,893	RCW 36.22.179	
Historical Preservation	85,315	RCW 36.22.170	
Local Domestic Violence Prevent.	3,407	RCW 10.99.080	
Host Fee	1,131,136	Host Agreement 07282004 , as amended	
Waste Management Scholarship	10,380	Host Agreement 07282004 , as amended	
NCW Fair Race Sponsorship		RESOLUTION CE 09-70	7,360
Douglas County Jail		RESOLUTION CE 10-31	4,546,851
Pest Control	1,993	RCW 15.09.050, 15.09.131 and 15.09.135	
Local Trial Court	29,463	SB5941, RCW 3.62.030 and 3.62.060	
E-REET Annual Reval	28,000	RCW 65.24	
<i>Capital Projects:</i>			
Public Facilities in Rural Counties	1,424,944	RCW 82.14.370(3) and RCW 82.14.370(5)	
Local Capital Projects	2,152,489	RCW 82.46.030	
Capital Projects within the Roads Fund			1,065,120
Financial Software Implemenation		RESOLUTION CE 06-10	30,954
Parkside Remodel		RES CE 11-68	12,529
Capital Projects within the General Fund			350,573

Note 2. Stewardship, 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.

Note 3. Deposits and Investments

It is the County's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. As required by state law, all deposits and investments of the County's funds are obligations of the U.S. Government or deposits with Washington State banks and savings and loan institutions. Investments are valued at cost.

Investments are reported at original cost. As of December 31, 2017, the county had the following investments:

Type of Investment	County's own investments	Investments held by County as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$23,490,576	\$61,072,471	\$84,563,047
US. Government Securities	6,213,233	4,204,770	10,418,003
Money Market and CD's	23,556,562	3,066,594	26,623,156
Total	\$53,260,371	\$68,343,835	\$121,604,206

Certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in the multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered, or held by the County or its agent in the government's name.

Management intends to hold the time deposits and securities until maturity.

The County has a compensating balance agreement with UMPQUA Bank in lieu of payments for services rendered. The following is the average compensating balance maintained during the year:

Month	Average Positive Collected Balance
January	3,648,025
February	3,939,723
March	3,585,409
April	4,907,690
May	4,912,675
June	3,014,307
July	4,000,900
August	4,445,360
September	4,156,517
October	2,948,156
November	4,360,083
December	3,422,696
Average	3,945,128

Note 4. Property Taxes

The County Treasurer collects property taxes levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property tax revenues are recognized when cash is received. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services, subject to the limitations in the Washington State Constitution and Washington State Law in RCW 84.55.010.

The county's regular levy for 2017 was \$1.207406 per \$1,000 on an assessed valuation of \$5,027,332,673 for a total regular levy of \$ 6,070,032.

The county's levy for road purposes for 2017 was \$1.609255 per \$1,000 on an assessed valuation of \$3,665,988,471 for a total county road levy of \$5,899,510.

Note 5. Intergovernmental Grants and Entitlement

The Schedule of State and Local Financial Assistance and Schedule of Expenditures of Federal Awards provides a listing of all federal and state assistance programs in which the County participates and summarizes the County's grant transactions for 2017. A copy can be obtained by contacting the County at Douglas County Auditor, Box 456, Waterville, WA 98858.

Note 6. Pension Plans

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

on a system-wide basis and is not considered pertinent to the counties financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. Historical trend and other information regarding each plan are presented in the State Department of Retirement Systems 2017 annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98540-8380

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

The County also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [ww.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2017, the county's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Employer Contributions	Allocation Percentage	Liability/(Asset)
PERS 1	59,274.19	0.009854%	467,579.99
PERS 1 UAAL	422,035.06	0.070161%	3,329,194.18
PERS 2 and 3	542,248.73	0.088778%	3,084,611.14
Public Safety ERS 2	9,500.95	0.040720%	7,978.27
LEOFF 1	0.00	0.009935%	(150,735.81)
LEOFF 2	132,274.10	0.083732%	(1,161,928.87)
VFFRPF	120.00	0.06%	(20,801.79)

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 7. Deferred Compensation Plan

The County offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administrated by Hartford, Washington State Deferred Compensation Plan, and Nationwide Deferred Compensation. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, an unforeseeable emergency or as required by law.

Compensation deferred under the plans and all income attributable to the plans is solely the property of the County. The County's rights to this property are subject only to the claims of the county's general creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan.

It is the opinion of the County's legal counsel that the County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Note 8. Long-Term Debt

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 and PW Trust Fund loans are as follows:

Year Ending December 31	GO BONDS		PW Trust Fund		Total Debt
	Principal	Interest	Principal	Interest	
2018	600,000	306,450	85,674	3,461	995,585
2019	625,000	286,920	85,674	3,033	1,000,627
2020	640,000	266,550	85,674	2,604	994,828
2021	660,000	245,500	85,674	2,176	993,350
2022	685,000	221,450	85,674	1,747	993,871
2023-2027	3,550,000	711,325	263,814	2,845	4,527,984
2028-2032	1,535,000	159,400	0	0	1,694,400
Total	\$8,295,000	\$2,197,595	\$692,184	\$15,866	11,200,644

Note 9. Risk Management

Douglas 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 \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2017, Douglas County selects a per-occurrence deductible of \$50,000.

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, Douglas 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.

Douglas 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 10. Interfund Transactions and Balances

The following table displays interfund loan activity during 2017:

Borrowing Fund	Lending Fund	Balance 1/1/2017	New Loans	Repayments	Balance 12/31/2017
NCW Fair	General Fund	\$0	\$33,290.01	\$33,290.01	\$0
Friends of Fair	Election Reserve	0	84,663.45	0	84,663.45
Fin Software Implem	Election Reserve	100,000	0	0	100,000
TOTAL		\$100,000	\$117,953.46	\$33,290.01	\$184,663.45

Note 11. Joint Ventures

Douglas County participates in the following joint ventures:

The County and eight other counties; Stevens, Pend Oreille, Spokane, Adams, Asotin, Lincoln, Whitman, and Ferry, entered into an Interlocal Juvenile Detention Facility Agreement (Martin Hall) for the purchase and improvements to Martin Hall on the Eastern State Hospital campus, for use as a juvenile rehabilitation center. The County is responsible for paying its contracted bed rentals and its share of the bond floated for the purchase and improvements to the building. Lincoln County accounts for Martin Hall as an agency fund. Copies of Martin Hall's financial statements can be obtained from Lincoln County Auditor, 450 Logan Street, Davenport, Washington, 99122.

In 2002, Douglas County, Chelan County, the City of Wenatchee, and the City of East Wenatchee, entered into an Interlocal Cooperative Agreement under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of their powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility they named Rivercom. Rivercom began operations in July 2004, and serves as the Public Safety Answering Point for all of the law enforcement agencies in Chelan and Douglas counties, as well as for the vast majority of Fire and Emergency Medical Service agencies in the bicounty region. Douglas County is charged a user fee based on usage of Rivercom services as evidenced by either the number of radio logs and/or dispatched events. In 2017 Douglas County will account for Rivercom as an Agency fund and financial reports can be obtained from the Douglas County Auditor, PO Box 456, Waterville, Washington, 98858.

Note 12. Subsequent Events

Representatives of Chelan, Douglas, and Grant counties signed and submitted a binding letter of intent to become “mid-adopters” of healthcare integration in September of 2017 with a transition date for North Central Washington Behavioral Health organization (NCWBH) of December 31, 2017. Managed Care Organizations (MCOs) and an Administrative Service Organization (ASO) began oversight of the regional behavioral health network on January 1, 2018. NCWBH will dissolve at the conclusion of necessary close-out activities. As of the date of this report close-out activities were still on going with an expected ending date of June 30, 2018.

Note 13. Fiduciary Activities

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 in addition of \$164,334,688 in custodial deposits reported in the statement of Fiduciary Fund Resources and Uses Arising from Cash Transactions for the year ended December 31, 2017. In addition, these amounts are now required to be presented by fund type rather than by individual fund.

**Douglas 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						
251.11	Limited Gen. Obligation Bonds	12/1/2022	1,090,000	-	165,000	925,000
251.11	Limited Gen. Obligation Bonds	12/1/2032	7,785,000	-	415,000	7,370,000
263.81	Public Works Trust fund Loan	7/1/2024	129,874	-	16,234	113,640
263.81	Public Works Trust fund Loan	7/1/2025	521,339	-	57,927	463,412
263.81	Public Works Trust fund Loan	7/1/2027	126,646	-	11,513	115,133
Total General Obligation Debt/Liabilities:			9,652,859	-	665,674	8,987,185
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	COMPENSATED ABSENCES		1,254,655	1,382,133	1,270,600	1,366,188
264.30	Pension Liability		8,552,602	-	1,663,238	6,889,364
Total Revenue and Other (non G.O.) Debt/Liabilities:			9,807,257	1,382,133	2,933,838	8,255,552
Total Liabilities:			19,460,116	1,382,133	3,599,512	17,242,737

Douglas 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		
Office For Victims Of Crime, Department Of Justice (via Wash State Dept of Commerce)	Crime Victim Assistance	16.575	NA	64,412	-	64,412	-	1,2,3
Violence Against Women Office, Department Of Justice (via Wash State Dept of Commerce)	Violence Against Women Formula Grants	16.588	F16-31103-028	30,591	-	30,591	-	1,2,3, 4
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	NA	-	5,239	5,239	-	1,2,3
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WADOT)	Highway Planning and Construction	20.205	BRS-T090(002)	160,406	-	160,406	-	1,2,3
Federal Highway Administration (fhwa), Department Of Transportation (via WADOT)	Highway Planning and Construction	20.205	STPUS-5902 (002)	454,031	-	454,031	-	1,2,3
Federal Highway Administration (fhwa), Department Of Transportation (via WADOT)	Highway Planning and Construction	20.205	HSIP-M092 (003)	334,920	-	334,920	-	1,2,3
Federal Highway Administration (fhwa), Department Of Transportation (via WADOT)	Highway Planning and Construction	20.205	HSIP-5901(003)	30,333	-	30,333	-	1,2,3
Federal Highway Administration (fhwa), Department Of Transportation (via WADOT)	Highway Planning and Construction	20.205	STPUS-5928 (001)	95,025	-	95,025	-	1,2,3
Total Highway Planning and Construction Cluster:				1,074,714	-	1,074,714	-	
Highway Safety Cluster								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WSDOT)	State and Community Highway Safety	20.600	NA	15,289	-	15,289	-	1,2,3

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

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
		Total Highway Safety Cluster:		15,289	-	15,289		
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Wash State DSHS)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1686LS-69	85,416	-	85,416	85,416	1,2,3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Wash State DSHS)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1690LC-69	210,219	-	210,219	210,219	1,2,3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Wash State DSHS)	Block Grants for Community Mental Health Services	93.958	1669-57876	261,451	-	261,451	261,451	1,2,3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Wash State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1669-58045	463,861	-	463,861	-	1,2,3
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Military Dept)	Homeland Security Grant Program	97.067	E16-110	40,684	-	40,684	-	1,2,3
Total Federal Awards Expended:		2,246,638		5,239	2,251,877	557,087		

DOUGLAS COUNTY

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the County's financial statements. The County uses the Cash Basis of accounting.

Note 2 – Program Costs

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

Note 3 – Indirect Cost Rate

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

Note 4 – American Recovery and Reinvestment Act (ARRA) of 2009

Expenditures for this program were funded by ARRA.

DAN SUTTON
1st DISTRICT

KYLE STEINBURG
2ND DISTRICT

STEVEN D. JENKINS
3RD DISTRICT

DOUGLAS COUNTY
COMMISSIONERS

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

Douglas County
January 1, 2017 through December 31, 2017

This schedule presents the corrective action planned by the 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).

Finding ref number: 2017-001	Finding caption: The County did not have adequate internal controls to comply with Davis-Bacon Act (wage rate) requirements.
Name, address, and telephone of County contact person: Douglas County 140 19th Street N.W. East Wenatchee, WA 98802 (509) 745-8527 Contact: Karen Goodwin	
Corrective action the auditee plans to take in response to the finding: <i>In the future, no payments will be made to contractors until they provide us with certified payrolls and these are provided to the accounting manager for review.</i>	
Anticipated date to complete the corrective action: 09/01/18	

Finding ref number: 2017-002	Finding caption: The County's internal controls over financial statement preparation were inadequate to ensure accurate reporting
Name, address, and telephone of County contact person: Douglas County 140 19th Street N.W. East Wenatchee, WA 98802 (509) 745-8527 Contact: Karen Goodwin	
Corrective action the auditee plans to take in response to the finding: <i>The County's Chief Accountant prepares the Financial Statements and the Transportation and Land Services Accounting Manager reviews the report for accuracy. A majority of the above stated issues were a result of recent BARS manual changes. The County will implement a more thorough review process to make sure any future BARS manual reporting changes are implemented accurately.</i>	
Anticipated date to complete the corrective action: 01/01/19	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov