



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Adams County

For the period January 1, 2014 through December 31, 2014

Published September 17, 2015

Report No. 1015110





Washington State Auditor's Office

September 17, 2015

Board of Commissioners
Adams County
Ritzville, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Adams County January 1, 2014 through December 31, 2014

The results of our audit of Adams County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program 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 OMB Circular A-133, was \$300,000.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

STATUS OF PRIOR AUDIT FINDINGS

Adams County January 1, 2014 through December 31, 2014

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of Adams County. The State Auditor's Office has reviewed the status as presented by the County.

Audit Period: 1/1/2013-12/31/2013	Report Ref. No.: 1014114	Finding Ref. No.: 1
Finding Caption: The County's internal controls over financial statement preparation were inadequate to ensure accurate reporting.		
Background: It is the responsibility of the County Management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a material weakness in internal controls over financial reporting that affected the County's ability to produce reliable financial statements and meet federal reporting requirements. The County hired a professional consultant to assist in the revision of the 2013 financial statements.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The County contracted with a private certified public accountant to review the financial statements and supplemental audit schedules prior to submission. In 2015 County Staff responsible for preparing financial reports attended a BARS class, an online reporting class and a grants management class, all presented by the Washington State Auditor's office for WFOA. County Staff will continue to attend training provided by the SAO in order to remain current on reporting requirements.</i>		

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

**Adams County
January 1, 2014 through December 31, 2014**

Board of Commissioners
Adams County
Ritzville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Adams County, Washington, as of and for the year ended December 31, 2014, 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, 2015.

We issued an unmodified opinion on the fair presentation of the County's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the County using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 11, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Adams County
January 1, 2014 through December 31, 2014**

Board of Commissioners
Adams County
Ritzville, Washington

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

We have audited the compliance of Adams County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 11, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Adams County January 1, 2014 through December 31, 2014

Board of Commissioners
Adams County
Ritzville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Adams County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Adams County, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Adams County, as of December 31, 2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 11, 2015

FINANCIAL SECTION

Adams County January 1, 2014 through December 31, 2014

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

Adams County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 Current Expense	103 E911
Beginning Cash and Investments				
30810	Reserved	9,049,929	241,074	522,522
30880	Unreserved	5,640,603	2,871,237	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	7,167,814	4,434,327	490,395
320	Licenses and Permits	162,873	80,462	-
330	Intergovernmental Revenues	12,904,749	874,800	464,114
340	Charges for Goods and Services	3,317,315	646,748	-
350	Fines and Penalties	748,911	746,909	-
360	Miscellaneous Revenues	2,647,693	424,450	1,833
Total Operating Revenues:		26,949,354	7,207,695	956,342
Operating Expenditures				
510	General Government	4,479,427	3,105,406	-
520	Public Safety	3,672,107	2,798,234	632,553
530	Utilities	1,048,606	-	-
540	Transportation	7,675,006	-	-
550	Natural and Economic Environment	527,047	287,273	-
560	Social Services	2,435,176	38,012	-
570	Culture and Recreation	315,954	132,445	-
Total Operating Expenditures:		20,153,323	6,361,369	632,553
Net Operating Increase (Decrease):		6,796,031	846,325	323,789
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	143,588	5,291	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	981,642	84,992	-
Total Nonoperating Revenues:		1,125,230	90,283	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	41,273	13,000	-
591-593	Debt Service	220,301	35,992	-
594-595	Capital Expenditures	5,354,566	105,507	63,698
597	Transfers-Out	981,642	696,054	-
Total Nonoperating Expenditures:		6,597,781	850,553	63,698
Net Increase (Decrease) in Cash and Investments:		1,323,479	86,055	260,091
Ending Cash and Investments				
50810	Reserved	10,544,194	230,362	782,613
50880	Unreserved	5,469,817	2,968,006	-

The accompanying notes are an integral part of this statement.

104 IGHS	105 Criminal Justice	106 Emergency Services	107 Veterans Services	108 Fair	109 Law Library
2,095,563	693,798	3,298	15,780	54,687	3,045
-	-	-	-	-	-
-	-	-	-	-	-
122,622	166,950	-	4,491	-	-
81,487	-	-	-	-	-
1,645,145	707,652	59,844	-	33,210	-
110,037	-	-	-	137	6,305
-	-	-	-	-	-
11,104	902	1,000	3	18,128	-
1,970,395	875,505	60,844	4,495	51,475	6,305
-	415,000	-	-	-	-
-	112,375	87,810	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,040,783	-	-	3,131	-	-
-	-	-	-	172,978	7,427
2,040,783	527,375	87,810	3,131	172,978	7,427
(70,388)	348,130	(26,966)	1,364	(121,503)	(1,122)
-	-	-	-	104,988	-
-	-	-	-	-	-
-	-	49,328	-	100,000	-
-	-	49,328	-	204,988	-
-	-	-	-	4,000	-
-	-	-	-	-	-
14,750	2,236	19,589	-	131,189	-
-	117,160	-	-	-	-
14,750	119,396	19,589	-	135,189	-
(85,138)	228,734	2,773	1,364	(51,704)	(1,122)
2,010,424	922,531	6,070	17,143	2,983	1,924
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

110 Paths & Trails	111 Regional Landfill	112 Jail Inmate Welfare	113 Ed Support Prog	114 Treasurers O & M	115 County Road
51,842	262,286	87,449	10,745	11,115	2,985,742
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,537,055
-	-	-	-	-	924
20,246	-	-	-	-	8,876,018
-	30,000	32,233	90	1,749	69,747
-	-	-	-	-	-
-	236	9,353	11	-	2,526
20,246	30,236	41,587	102	1,749	10,486,270
-	-	-	-	5,689	65,813
-	-	19,602	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,350,610
-	22,500	-	-	-	-
-	-	-	-	-	-
-	3,000	-	105	-	-
-	25,500	19,602	105	5,689	5,416,424
20,246	4,736	21,985	(3)	(3,940)	5,069,847
-	-	-	-	-	20,246
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	20,246
-	-	-	-	-	20,246
-	-	-	-	-	-
33,180	25,000	-	-	-	3,990,106
-	-	-	-	-	-
33,180	25,000	-	-	-	4,010,352
(12,934)	(20,264)	21,985	(3)	(3,940)	1,079,741
38,908	242,022	109,433	10,742	7,175	4,065,483
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

116 Auditors O & M	117 Developmental Disability	119 Trial Ct Improvement	120 Tourism Enhancement	122 Distressed Public Fac	123 Low Income Housing
62,839	86,396	40,882	4,818	568,545	166,378
-	-	-	-	-	-
-	-	-	-	-	-
-	36,733	-	1,269	287,702	-
-	-	-	-	-	-
-	112,479	-	-	-	35,340
50,421	11,319	-	-	-	80,394
-	-	-	-	-	-
-	42,229	733	-	631	-
50,421	202,760	733	1,269	288,333	115,734
53,604	-	8,853	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	72,293	-
-	225,632	-	-	-	127,618
-	-	-	-	-	-
53,604	225,632	8,853	-	72,293	127,618
(3,183)	(22,872)	(8,120)	1,269	216,040	(11,884)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	23,922	-	-	-
-	-	23,922	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,841	-	6,051	-
-	-	-	-	108,503	-
-	-	1,841	-	114,554	-
(3,183)	(22,872)	13,961	1,269	101,486	(11,884)
59,656	63,524	54,843	6,087	670,031	154,494
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

130 Drug Enforcement	131 RSO Addr Verif	135 Crime Victims Comp	136 Domestic Viol Prev	137 Dom Viol Assessm	166 Noxious Weed
69,655	60,215	73,018	1,959	6,577	2,101
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	30,000	-	-	-	-
-	-	20,872	200	-	2,180
1,421	-	-	-	580	-
10,000	-	-	-	-	170,788
11,421	30,000	20,872	200	580	172,967
-	-	-	-	-	-
-	21,533	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	144,981
-	-	-	-	-	-
-	-	-	-	-	-
-	21,533	-	-	-	144,981
11,421	8,467	20,872	200	580	27,986
-	-	-	-	-	13,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	13,000
-	-	-	-	-	4,028
-	-	-	-	-	-
-	-	-	-	-	279
1,000	-	48,000	-	-	-
1,000	-	48,000	-	-	4,307
10,421	8,467	(27,128)	200	580	36,679
80,076	68,682	45,890	2,159	7,157	38,780
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

210 Debt Service	301 Rodeo Lake	321 Capital Improvement	322 Capital Projects	323 RE Excise Tech	324 Econ Dev Cap Proj
-	-	-	-	-	-
54	5,469	330,920	327,607	101,314	115,171
-	-	-	-	-	-
-	-	86,268	-	-	-
-	-	-	-	-	-
-	-	-	-	7,727	-
-	-	-	-	1,958	-
-	-	-	-	-	-
-	-	389	196	-	160
-	-	86,658	196	9,685	160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	86,658	196	9,685	160
-	-	-	-	-	-
-	-	-	-	-	-
184,309	-	-	100,000	-	100,000
184,309	-	-	100,000	-	100,000
-	-	-	-	-	-
184,309	-	-	-	-	-
-	-	158,765	-	1,680	50,000
-	-	-	-	-	-
184,309	-	158,765	-	1,680	50,000
0	-	(72,107)	100,196	8,005	50,160
-	-	-	-	-	-
54	5,469	258,813	427,803	109,319	165,331

The accompanying notes are an integral part of this statement.

401 Solid Waste	501 CH O & M	502 Central Services	590 IGS
867,600	-	-	-
418,408	3,909	54,799	1,411,715
-	-	-	-
-	-	-	-
-	-	-	-
38,175	-	-	-
1,112,069	-	451,315	689,541
-	-	-	-
37,465	97,601	8,643	1,809,311
1,187,709	97,601	459,958	2,498,852
-	402,555	400,164	22,343
-	-	-	-
1,048,606	-	-	-
-	-	-	2,324,396
-	-	-	-
-	-	-	-
-	-	-	-
1,048,606	402,555	400,164	2,346,739
139,103	(304,954)	59,794	152,113
-	-	-	63
-	-	-	-
-	339,091	-	-
-	339,091	-	63
-	-	-	-
-	-	-	-
38,306	-	36,403	675,985
10,924	-	-	-
49,230	-	36,403	675,985
89,873	34,137	23,391	(523,809)
845,000	-	-	-
530,881	38,046	78,190	887,906

The accompanying notes are an integral part of this statement.

Adams County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	601 Treasurers Trust	639 County Insurance	641 Real Estate
308	Beginning Cash and Investments	490,239	14,342	4,175	8,074
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	5,717,052	27,801	1,486,744	689,901
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	5,726,722	22,593	1,487,142	695,160
Net Increase (Decrease) in Cash and Investments:		(9,671)	5,208	(398)	(5,259)
508	Ending Cash and Investments	480,569	19,550	3,777	2,816

		643 Treasurers	644 State Tax	673 State General	699 Trust Accounts
308	Beginning Cash and Investments	34,567	1,044	89,376	338,661
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	160,272	37,959	1,129,718	2,184,656
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	73,003	37,789	1,121,050	2,289,986
Net Increase (Decrease) in Cash and Investments:		87,269	170	8,668	(105,330)
508	Ending Cash and Investments	121,837	1,214	98,044	233,331

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

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

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:**General Fund**

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Total General Fund	\$ 7,899,117	\$ 7,211,922.16	\$ 687,194.84
Enhanced 911	\$ 710,441	\$ 696,250.35	\$ 14,190.65
Integrated Health Services	\$ 2,100,431	\$ 2,055,533.60	\$ 44,897.40
Criminal Justice	\$ 659,340	\$ 646,770.93	\$ 12,569.07
Emergency Management	\$ 121,692	\$ 107,399.39	\$ 14,292.61
Veterans Relief	\$ 10,800	\$ 3,130.96	\$ 7669.04
Fair	\$ 329,744	\$ 308,167.05	\$ 21,576.95
Law Library	\$ 7,500	\$ 7,426.67	\$ 73.33
Paths & Trails	\$ 33,930	\$ 33,179.90	\$ 750.10
Regional Landfill	\$ 363,509	\$ 50,500	\$ 313,009
Jail Inmate Welfare	\$ 21,000	\$ 19,602.29	\$ 1,397.71
Education Support	\$ 8,538	\$ 104.90	\$ 8,433.10
Treasurer's O & M	\$ 9,300	\$ 5,689.03	\$ 3,610.97
County Road	\$ 11,210.102	\$ 9,426,775.53	\$ 1,783,326.47
Auditor's O & M	\$ 54,720	\$ 53,603.55	\$ 1,116.45
Developmental	\$ 240,839	\$ 225,632.17	\$ 15,206.83
Trial Court Improvement	\$ 23,400	\$ 10,694.2	\$ 12,705.80
Distress Co/Pub Facilities	\$ 217,975	\$ 186,847.11	\$ 31,127.89
Low Income Housing	\$ 130,000	\$ 127,618.21	\$ 2,381.79
Drug Enforcement	\$ 6,700	\$ 1,000	\$ 5,700
RSO Address Verification	\$ 21,600	\$ 21,533.04	\$ 66.96
Crime Victims Comp	\$ 51,000	\$ 48,000	\$3,000
Noxious Weed Board	\$ 159,170	\$ 149,288	\$ 9,882
Debt Service	\$ 184,309	\$ 184,308.76	\$ 0.24
Rodeo Lake Improvement	\$ 4,500	\$ 0	\$ 4,500
Capital Improvements	\$ 468,650	\$ 158,765.09	\$ 309,884.91
Capital Projects	\$ 141,287	\$ 0	\$ 141,287
Real Estate Technology	\$ 6,344	\$ 1,680.12	\$ 4,663.88
Econ Capital Projects	\$ 100,000	\$ 50,000	\$ 50,000
Solid Waste	\$ 2,002,489	\$ 1,097,836.27	\$ 904,652.73
Courthouse O & M	\$ 420,491	\$ 402,554.62	\$ 17,936.38
Central Services	\$ 458,980	\$ 436,566.85	\$ 22,413.15
Intergovernmental Services	\$ 3,328,393	\$ 3,022,723.73	\$ 305,669.27

Budgeted amounts are authorized to be transferred between object classes within any fund except for the general fund where the budget is adopted at the department level; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the county's legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

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

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

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

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

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

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist insurance settlements

I. Risk Management

Adams County remains one of several Washington counties that are members of the Washington Counties Risk Pool (“Pool” or “WCRP”). The others include: Benton, Chelan and Clallam, Columbia, Cowlitz, Douglas and Franklin, Garfield, Grays Harbor, Island and Jefferson, Kittitas, Lewis, Mason and Okanogan, Pacific, Pend Oreille, San Juan and Skagit, Skamania, Spokane, Thurston and Walla Walla, Whatcom and Yakima Counties.

Clark, Kitsap, Klickitat and Whitman Counties were Pool members. Clark had its membership cancelled by the Pool’s Board of Directors effective April 29, 2014. The others voluntarily terminated their memberships effective October 1st of 2010, 2002 and 2003 respectively.

Background: The Pool was “Created by Counties for Counties” in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP’s foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington (“RCW”), “to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services.”

Noteworthy is the definition of “insurer” in RCW 48.01.050 as it pertains to the application of the Washington Insurance Code (Title 48). The statutory definition reads:

Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an “insurer” under this code.

WCRP is not an “insurer” and thus not an insurance company or subject to the special laws and rules that govern insurers and insurance companies. Washington’s pools operate under the state’s “pooling” laws and regulations, specifically Chapters 48.62 RCW and 200-100 Washington Administrative Code (“WAC”). Pools are risk-sharing entities that initially must be approved by then annually report to and are overseen by the State Risk Manager – they are not regulated by the Office of the Insurance Commissioner. In addition, as public entities, pools are subject to annual audits by the State Auditor’s Office.

The mission for the Pool as determined by the members’ directors and alternate directors is to:

- Provide comprehensive and economical risk coverage;
- Reduce the frequency and severity of losses;
- Decrease costs incurred in the managing and litigation of claims.

The core values adopted by the Pool’s Board of Directors include: being committed to learn, understand and respond to the member counties’ insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations; the Pool’s Board and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes; and being committed to continuous planning and innovation in product development and service delivery.

The Pool’s Membership Compact, added in 2000 as an addendum to the Interlocal Agreement, constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. The Compact obligates the member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles. In recent years, new members have only been required to contribute 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 county 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.

Joint Self-Insurance Liability Program ("JSILP"): The Washington Counties Risk Pool has since its beginning administered the membership's 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 per occurrence have grown from the \$1 million existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit that has existed since October 2003. (Note: Additional \$5 million limits were available as individual county-by-county options during many recent years, including the 2013-14 and 2014-15 coverage years.)

Since the 2003-04 coverage year, the initial \$10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is "risk shared" amongst the membership. 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.

The Board of Directors has decided for years now to acquire reinsurance as 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 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to \$1 million, but with an aggregated stop loss of \$2.975 million (later reduced with Clark County's termination to \$2,900,625), and the second increasing the SIR further, to \$2 million, but with an aggregated stop loss of \$650,000 (also reduced with Clark County's departure to \$596,875). Other reinsurance agreements respond to the remaining \$8 million – one for the \$3 million excess of the \$2 million SIR, and another for the \$5 million excess of \$5 million.

The remaining \$10 million (or \$15 million) of JSILP occurrence coverage has been acquired as "following form" excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the 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).

584 third-party liability claims (and lawsuits) were reported by member counties to the Pool during the 2013-14 coverage year, a 5.5% reduction in year-over-year filings and a continuation of the decline in filings experienced the past several years. The new filings raised the to-date (October 1988 – September 2014) total to 19,820. Yet only 359 remained classified as 'open' at year-end. Projections from the required independent actuary retained by the Pool's Board of Directors suggest another 283 cases from all years as being *incurred but not yet reported* ("IBNR") and raise the Pool's estimated ultimate case count (as of September 30, 2014) to 20,103. Total incurred losses (payments made plus estimates for *open* claims) increased \$14.6 million during the year to \$264.6 million. And while that represents a significant increase from recent years' corresponding amounts, it is less than the several earlier years' amounts of \$16.0M (2010-11), \$17.8M (2009-10), and the \$20.8M (average for 2006-07 through 2008-09).

Claims reserves for the JSILP coverage are determined annually, and the actuary's estimates of

net reserves as of September 30, 2014 totaled \$14.68 million, a modest year-over-year increase of \$0.06 million (0.4%), and included \$2.69 million for losses in the basic SIR, \$10.84 million for the increased SIRs from the “corridor” programs, \$0.13 million for losses in the quota-shared (10%) upper reinsured layer retained by the Pool during 2012-13, and \$1.02 million for unallocated loss adjustment expenses (ULAE). NOTE: Estimates for gross reserves declined \$1.10 million (3.3%) to \$32.67 million, with \$17.99 million ceded to the commercial insurers.

Washington Counties Property Program (“WCPP”): The Board of Directors agreed to add property insurance, beginning with the 2005-06 coverage year, as a county-by-county option. This optional coverage is jointly-purchased from a consortium of higher rated commercial carriers. Both participation and the total values of covered properties have nearly doubled since the WCPP was added. Twenty six counties participated in the WCPP during 2013-14 with covered properties totaling in excess of \$2.7 billion.

Losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractors 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. Coverage also includes sublimated items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million).

AOP occurrence deductibles, which each participating county confirms each year and is solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Cyber Risk and Other Coverages: Beginning this coverage year (2014-15), the Board agreed to add jointly-purchased cyber risk and security coverage from a higher-rated commercial insurer.

Other Insurances: Several member counties use the producer (broker) retained by the Board on behalf of the Pool to secure other (specialty) coverages. Examples include public officials bonds and insurance coverages for crime (and fidelity), special events/concessionaires, UST and other environmental hazards, as well as airport, ferry, and railroad operations.

Governance / Oversight: The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county’s legislative authority. The Board of Directors, which includes both elected and appointed officials, meets three times each year with the Annual Meeting of the Pool being held mid-summer. The Board a) determines the extent of risk-sharing from the 3rd-party self-insured liability coverage by approving the JSILP Coverage Form, b) selects the reinsurance(s) to acquire and the excess insurance(s) to jointly-purchase or offer for “member option” purchase, c) approves the Pool’s annual operating budget(s) and work program(s), and d) approves the formulas used for computing members’ deposit assessments and, when necessary, reassessments.

Ongoing oversight of the Pool is furnished by an 11-person executive committee that is elected by and from the WCRP Board for staggered, 3-year terms. The membership of the 2014-15 committee averages more than nine years with the Pool. The committee meets throughout the year and a) approves all disbursements and reviews the Pool’s financial health, b) approves case settlements exceeding the applicable member’s deductible by at least \$50,000, c) reviews all claims with incurred loss estimates exceeding \$100,000, and d) evaluates the Pool’s operations and 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.

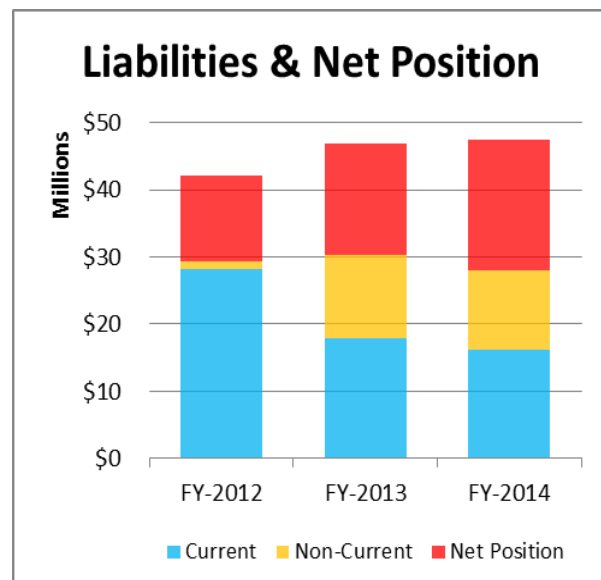
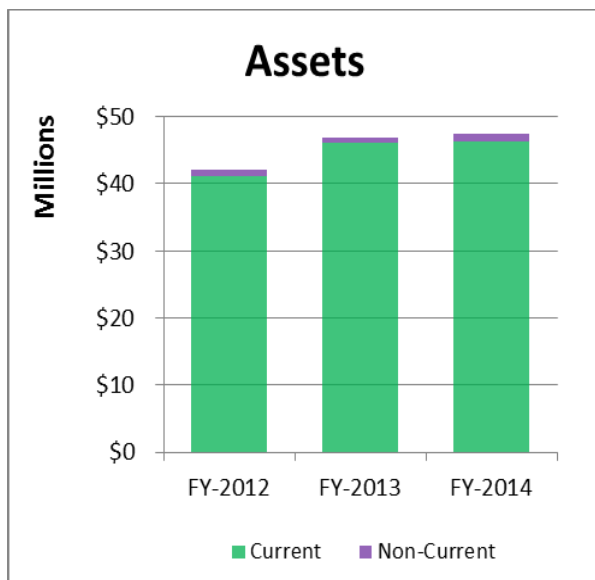
Staffing and Support Teams: Six of the Pool’s 11-person staff handle and/or manage the several hundred liability cases filed annually upon the member counties and submitted for risk-shared coverage consideration. This includes determining coverage, establishing reserves for covered events by estimating future payments for the losses and their related claims adjustment expenses. The claims staff have 115 years of combined claims handling experience.

The remaining staff support the Pool’s administrative needs and provide member services that include, but are not limited to assessing the memberships’ risks, coordinating trainings, performing compliance audits, and developing and presenting/promoting coverages.

There are also the professionals from some of the most respected organizations worldwide which are retained by the Board to address specific needs of the Pool – PricewaterhouseCoopers, LLP furnishes independent actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing; Arthur J. Gallagher Risk Management Services, Inc. provides insurance producer (broker) and advanced loss control services; and J. William Ashbaugh of Hackett Beecher & Hart serves as coverage counsel. NOTE: Claims audits are occasionally performed by commercial insurers. The numerous attorneys retained and assigned to defend covered claims as well as the State Risk Manager and State Auditor’s Offices cannot be overlooked.

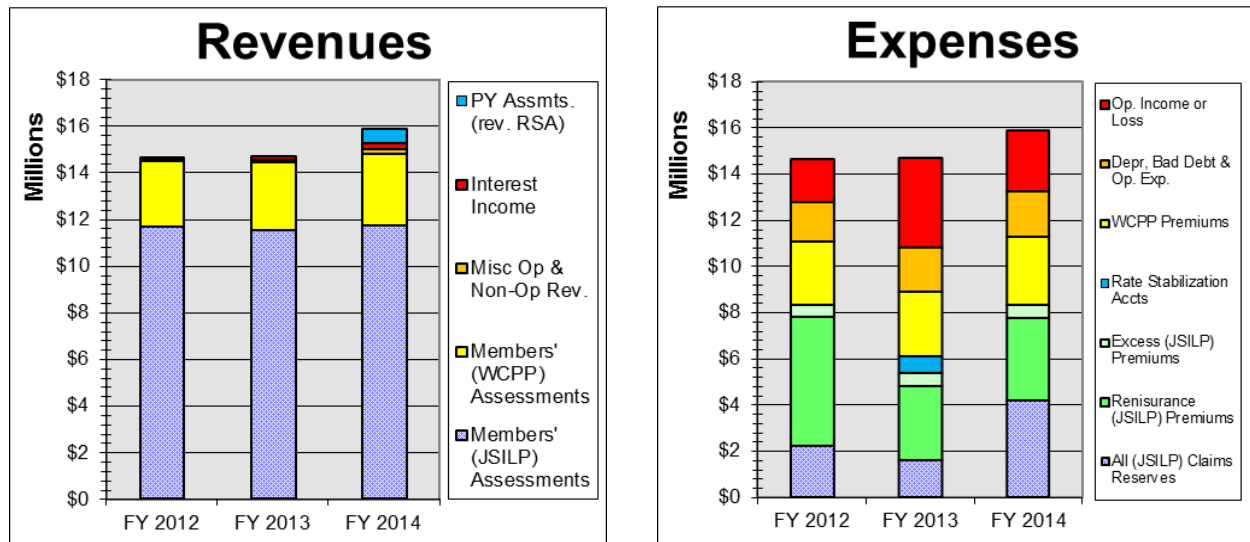
Financial Summary: During fiscal 2014, WCRP assets grew 1% (\$0.48 million) to \$47.41 million while its liabilities decreased 7% (\$2.17 million) to \$28.04 million. That produced a (assets to liabilities) ratio of 1.69:1. For comparison, the fiscal 2004 ratio was 0.94:1 which, except for the members’ reassessments receivables (“retroactive assessments”) that were included, would have been 0.74:1.

Net Position, which is frequently referred to as “Net Assets” or “Owners’ Equity”, improved 16% (\$2.65 million) to \$19.37 million as of September 30, 2014. And since 2004 ended “negative” \$0.69 million, Net Position improved by more than \$20 million over the course of the past decade. \$1.07 million of Net Position were held in Capital Assets (net of debt), leaving \$18.30 million to both satisfy the State Risk Manager’s solvency provisions (WAC 200.100.03001(3)) and substantially fulfill WCRP’s own sufficiency requirements in section D.2 of the Board of Directors’ Underwriting Policy.



Operating Income of \$2.38 million was realized in fiscal 2014. And though a 37% decrease from 2013, the 2014 amount was the third greatest in recent years and 55% more than the annual average from 2004 through 2013. Revenues grew \$1.05 million (7%) while Expenses increased \$2.42 million (22%), primarily due to the \$2.54 million in independent actuary adjustments to

the Pool's claims-related reserves and \$0.58 million in premium increases for the reinsurance and excess liability and property insurance policies acquired.



Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) 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, 2014 was ZERO (\$0). As such, there are no known contingent liabilities at that time for disclosure by the member counties.

J. Reserved Portion of Ending Cash and Investments

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

Employee Liability Reserve	\$ 230,362	County Resolution R-47-2010
E-911	\$ 245,350	State Grant Funding/R03-09 Ordinance 3.44.20
E-911 Reserve	\$ 537,264	Resolution R-17-2013
Integrated Health Services	\$ 1,998,176	Federal and State Grants - Restricted
IGHS Tuberculosis Reserve	\$ 12,247	Requirement – Reserve for Tuberculosis
Criminal Justice	\$ 288,965	RCW 10.101 10.101.70
Criminal Justice Sales Tax	\$ 633,566	County Resolution R34-94
Emergency Services	\$ 6,070	State and Federal Grant Restricted Revenues
Veterans Relief	\$ 17,143	RCW 73.08.080
Fair	\$ 2,983	County Contract 292246
Law Library	\$ 1,924	RCW 27.24.068
Paths & Trails	\$ 38,908	RCW 36.82 & 46.68
Regional Landfill	\$ 242,022	County Resolution R43-94
Jail Inmate Welfare	\$ 109,433	County Resolution R40-97/WAC 289.22.200
Education Support Programs	\$ 10,742	County Resolution R15-98
Treasurers O & M	\$ 7,175	RCW 82.45.180
County Road	\$ 4,065,483	Federal and State Grants

Auditors O & M	\$ 59,656	RCW 36.22
Developmental Disability	\$ 63,524	RCW 71.20.110
Trial Court Improvement	\$ 54,843	RCW 43.08.250
Tourism Enhancement	\$ 6,087	RCW 67.28.180
Distressed Public Facilities	\$ 670,031	RCW 82.14.370/Ordinance 3.15.050
Low Income Housing	\$ 154,494	Resolution R54-02
Drug Enforcement	\$ 80,076	RCW 9.95.210
RSO Address Verification	\$ 68,682	RCW 9A.44.130/County Resolution R06-12
Crime Victims Comp	\$ 45,890	RCW 10.82.070
Domestic Violence Prevention	\$ 2,159	RCW 10.99.080
Domestic Violence Assessment	\$ 7,157	RCW 10.99.080
Noxious Weed	\$ 38,780	Restricted Revenue/property assessments RCW 17.10
Solid Waste	\$ 845,000	Solid Waste Post Closure Liability RCW 70.95.215
Total Reserved Funds	\$ 10,544,194	

Note 2 - Property Tax

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

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

The county's regular levy for the year 2014 was \$1.80 per \$1,000 on an assessed valuation of \$1,789,799,748 for a total regular levy of \$3,221,639.

The County Road's levy rate for 2014 was \$1.319727 per \$1,000 on all assessed valuation of \$1,170,989,378 for a total regular levy of \$1,545,386.

Note 3 – Deposits and Investments

Deposits and Investments

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

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

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	Adams County Investments [6]	Investments held by Adams County as an agent for other local governments, individuals or private organizations. [7]	Total
L.G.I.P.	\$22,834,950.73	\$23,300,093.22	\$46,135,043.95
U.S. Government Securities	\$2,678,259.26	\$15,627,352.71	\$18,305,611.97
Other: _____	\$870,696.31	\$2,984,445.73	\$3,855,142.04
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	\$ 26,383,906.30	\$ 41,911,891.66	\$ 68,295,797.96

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, including both principle and interest, are as follows:

	<u>General Obligation Debt</u>	<u>Revenue Debt</u>	<u>Other Debt</u>	<u>Total Debt</u>
2015	\$220,844.10	\$	\$	\$220,844.10
2016	\$221,452.42			\$221,452.42
2017	\$185,177.50			\$185,177.50
2018	\$184,877.50			\$184,877.50
2019	\$184,377.50			\$184,377.50
2020- 2024	\$926,188.75			\$926,188.75
2025	\$183,825.00			\$183,825.00
	_____	_____	_____	_____
TOTALS	\$2,106,742.77	\$ _____	\$ _____	\$2,106,742.77

Note 5 - Interfund Loans

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
Noxious Weed	Current Expense	\$ 0	\$13,000.00	\$4,000.00	\$ 9,000.00
		_____	_____	_____	_____
	TOTALS	\$ 0	\$13,000.00	\$4,000.00	\$ 9,000.00

Note 6 - Pension Plans

Substantially all county's full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS), Law Enforcement Officers and fire Fighters (LEOFF), Public Safety Employees' Retirement System (PSERS) and Volunteer Fire Fighters Relief and Pension Fund administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the county's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 7 - Other Disclosures

1. Joint Ventures

Martin Hall:

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

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

Eastern Washington regional Health Alliance.:

In March of 2012 Resolution 19-2012 was signed by the Adams County Board of Commissioners which authorized the county to collaborate with eight other counties for the purpose of creating the Eastern Washington Regional Health Alliance. The purpose of the Regional Health Alliance is to assist local communities to achieve better health, better care, and reduce costs to their citizens.

The eight other counties involved in this agreement are Spokane County, Ferry County, Grant County, Lincoln County, Okanogan County, Pend Oreille County, Stevens County and Whitman County.

2. Other Pension Employee Benefit

Per RCW 41.26.150, the County has a commitment to pay for post-employment benefits for employees who belong to LEOFF 1. These benefits include medical, long term care, vision and medications. The county has four (4) LEOFF 1 retirees who received benefits during the year and \$34,476.22 was paid out for those benefits during the year.

3. The County has several internal accounting transactions for allocation of costs that require additional consideration due to the method of reporting required by the State Auditor's Office. Revisions to the reporting procedures are being implemented to minimize these variances in future reports. These transactions do not impact the fund balances of the County.

Adams County
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	GO Bond Non-Voted	12/1/2016	99,587	-	31,835	67,752
251.11	GO Bond Non-Voted	6/1/2025	1,745,000	-	115,000	1,630,000
	Total General Obligations:		1,844,587	-	146,835	1,697,752
Revenue Obligations						
263.22	Land Fill Liabilities		863,717	15,396	43,518	835,595
259.12	Compensated Absences		525,975	80,976	-	606,951
	Total Revenue Obligations:		1,389,692	96,372	43,518	1,442,546
	Total Liabilities:		3,234,279	96,372	190,353	3,140,298

Adams County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-7798/Lee Rd Overlay #2	136	-	136	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA- 8023/McMan Bridge #400-3	37,714	-	37,714	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8130/2013 Guardrail Safety	781,342	-	781,342	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-7992/Hills Road Resurfacing	1,585	-	1,585	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8348/Booker Rd Overlay #2	653,349	-	653,349	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA- 8360/Cunningh am Rd Urban Overlay	102,739	-	102,739	1,2

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-8361/Bench Rd Urban Overlay	199,780	-	199,780	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA- 7930/Danekas Rd	6,955	-	6,955	1,2
Total Highway Planning and Construction Cluster:				1,783,600	-	1,783,600	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Assoc Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	N/A	1,392	-	1,392	1,2
Total Highway Safety Cluster:				1,392	-	1,392	
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Division of Alcohol Substance Abuse)	Medical Assistance Program	93.778	1163-27285	1,043	-	1,043	1,2
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Health Care Authority)	Medical Assistance Program	93.778	1163-33891	19,600	-	19,600	1,2
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Department of Health)	Medical Assistance Program	93.778	1163-35197	18,068	-	18,068	2,7
Total Medicaid Cluster:				38,711	-	38,711	
Other Programs							

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		
				From Pass- Through Awards	From Direct Awards	Total
Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16875	68,981	-	68,981
Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16875	128	-	128
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Washington State Department of Social and Health Services Juvenile Rehabilitation Administration)	Juvenile Accountability Block Grants	16.523	1363-83925	12,920	-	12,920
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Washington State Department of Social and Health Services/Juvenile Justice Division)	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	I-501-00514	14,375	-	14,375
Violence Against Women Office, Department Of Justice (via Washington Department of Commerce)	Violence Against Women Formula Grants	16.588	F13-31103-001	7,218	-	7,218
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	2,097	2,097
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Public Health Emergency Preparedness	93.069	C16875	23,014	-	23,014
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Division of Alcohol Substance Abuse)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-89927	46,455	-	46,455

Note

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		
				From Pass- Through Awards	From Direct Awards	Note
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	Immunization Cooperative Agreements	93.268	C16875	8,453	-	1,2
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Department of Health)	Immunization Cooperative Agreements	93.268	N/A	26,770	-	1,5
Total CFDA 93.268:				35,223	8,453	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C16875	1,629	-	1,2
Administration For Children And Families, Department Of Health And Human Services (via Washington State Division of Child Support)	Child Support Enforcement	93.563	2014	10,173	-	1,2
Administration For Children And Families, Department Of Health And Human Services (via Washington State Division of Child Support)	Child Support Enforcement	93.563	2014	1,976	-	1,2

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Administration For Children And Families, Department Of Health And Human Services (via Washington Department of Health and Human Services)	Child Support Enforcement	93.563	75-1501-0-1- 609	89,899	-	89,899	1,2
Total CFDA 93.563:				102,048	-	102,048	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Division of Alcohol Substance Abuse)	Block Grants for Community Mental Health Services	93.958	1363-88444 Jan - Dec 2014	17,732	-	17,732	1,2
Health Services Administration, Department Of Health And Human Services (via Division of Alcohol Substance Abuse)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27285	18,909	-	18,909	1,2
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Division of Alcohol Substance Abuse)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27285	5,553	-	5,553	1,2
Total CFDA 93.959:				24,462	-	24,462	
Health Resources And Services Administration, Department Of Health And Human Services (via Washington Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C16875	40,526	-	40,526	1,2
Health Resources And Services Administration, Department Of Health And Human Services (via Washington Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C16875	1,570	-	1,570	1,2
Health Resources And Services Administration, Department Of Health And Human Services (via Washington Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C16875	1,617	-	1,617	1,2
Total CFDA 93.994:				43,713	-	43,713	

The accompanying notes are an integral part of this statement.

Adams County, Washington

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the county's portion, are more than shown.

NOTE 5 - NONCASH AWARDS - VACCINATIONS

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

NOTE 7 - INDIRECT COST RATE

The amount expended includes \$1,790.45 claimed as an indirect cost recovery using an approved indirect cost rate of 8.11 percent.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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