



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Garfield County

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

Published September 24, 2015

Report No. 1015142





Washington State Auditor's Office

September 25, 2015

Board of Commissioners
Garfield County
Pomeroy, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Garfield 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

Garfield County January 1, 2014 through December 31, 2014

The results of our audit of Garfield 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 qualified as a low-risk auditee under OMB Circular A-133.

**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**

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

Board of Commissioners
Garfield County
Pomeroy, 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 Garfield 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 17, 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 17, 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**

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

Board of Commissioners
Garfield County
Pomeroy, Washington

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

We have audited the compliance of Garfield 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 17, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Commissioners
Garfield County
Pomeroy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Garfield 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 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Garfield 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 Garfield 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 Garfield 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 17, 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 17, 2015

FINANCIAL SECTION

Garfield 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

Garfield 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	101 County Road
Beginning Cash and Investments				
30810	Reserved	1,767,101	246,378	-
30880	Unreserved	4,168,174	2,270,177	633,347
388 & 588	Prior Period Adjustments, Net	5,690	5,690	-
Operating Revenues				
310	Taxes	1,622,328	896,229	682,091
320	Licenses and Permits	86,263	86,263	-
330	Intergovernmental Revenues	4,768,105	1,024,552	2,175,709
340	Charges for Goods and Services	659,794	552,672	-
350	Fines and Penalties	534	534	-
360	Miscellaneous Revenues	887,866	61,512	41,381
Total Operating Revenues:		8,024,890	2,621,762	2,899,181
Operating Expenditures				
510	General Government	1,624,367	1,531,990	51,625
520	Public Safety	1,557,789	1,136,398	-
530	Utilities	100,112	30,032	70,080
540	Transportation	2,936,892	-	2,074,518
550	Natural and Economic Environment	40,564	40,350	-
560	Social Services	247,220	130,541	-
570	Culture and Recreation	170,255	107,041	-
Total Operating Expenditures:		6,677,199	2,976,352	2,196,223
Net Operating Increase (Decrease):		1,347,691	(354,590)	702,958
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	325,336	246,305	20,110
391-393	Debt Proceeds	-	-	-
397	Transfers-In	813,889	577,763	26,126
Total Nonoperating Revenues:		1,139,225	824,068	46,236
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	198,563	162,253	12,423
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	878,159	65,338	627,125
597	Transfers-Out	841,894	268,418	26,487
Total Nonoperating Expenditures:		1,918,616	496,009	666,035
Net Increase (Decrease) in Cash and Investments:		568,300	(26,531)	83,159
Ending Cash and Investments				
50810	Reserved	2,115,540	250,537	-
50880	Unreserved	4,392,545	2,245,177	716,505

The accompanying notes are an integral part of this statement.

102 Fair Fund	104 Mental Health	106 Veterans Relief	113 Substance Abuse	114 Paths and Trails	119 Developmental Disab
137,194	142,258	12,801	163	25,369	3,432
-	-	-	-	-	-
-	-	-	-	-	-
-	13,352	30	-	-	-
-	-	-	-	-	-
30,153	-	-	93,143	6,414	5,969
15,396	-	-	-	-	-
-	-	-	-	-	-
67,273	-	11	-	-	-
112,822	13,352	41	93,143	6,414	5,969
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	214	-	-	-
-	10,552	-	98,426	-	7,701
63,214	-	-	-	-	-
63,214	10,552	214	98,426	-	7,701
49,608	2,800	(173)	(5,283)	6,414	(1,732)
2,466	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,000	-	-
2,466	-	-	10,000	-	-
175	-	-	-	-	-
-	-	-	-	-	-
47,938	-	-	-	-	-
92	1	-	4,096	-	8
48,205	1	-	4,096	-	8
3,869	2,799	(173)	621	6,414	(1,740)
141,063	145,057	12,628	784	31,783	1,692
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

124 DUI Fund	126 Historic Document	127 E911	128 Rural Transportation	129 Emergency Manage.	130 Criminal Justice
28,714	308,449	159,002	21,142	29	661,618
-	-	-	-	-	-
-	-	-	-	-	-
-	-	23,085	-	-	-
-	-	-	-	-	-
13,647	39,702	755,766	140,288	23,462	453,321
-	-	-	-	-	-
-	-	-	-	-	-
-	-	5	17,709	-	-
13,647	39,702	778,856	157,997	23,462	453,321
-	39,111	-	-	-	-
9,478	-	396,945	-	14,968	-
-	-	-	-	-	-
-	-	-	174,110	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,478	39,111	396,945	174,110	14,968	-
4,169	591	381,911	(16,113)	8,494	453,321
-	-	194	48,326	20	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	194	48,326	20	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,701	8,536	-
4	9	342,400	111	-	200,000
4	9	342,400	1,812	8,536	200,000
4,165	582	39,705	30,401	(22)	253,321
32,879	309,031	198,707	51,543	7	914,939
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

133 Trial Court Improve	301 Capital Improvement	501 Equip Rental & Revol
20,552	-	-
-	805,289	459,361
-	-	-
-	7,541	-
-	-	-
5,979	-	-
-	-	91,726
-	-	-
-	-	699,975
5,979	7,541	791,701
1,641	-	-
-	-	-
-	-	-
-	-	688,264
-	-	-
-	-	-
-	-	-
1,641	-	688,264
4,338	7,541	103,437
-	-	7,915
-	-	-
-	200,000	-
-	200,000	7,915
-	-	23,712
-	-	-
-	13,450	114,071
-	-	268
-	13,450	138,051
4,338	194,091	(26,699)
24,890	-	-
-	999,380	431,483

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	621 Crim. Victims Witness	623 IRPCR	630 Helen Shepherd Lib.
308	Beginning Cash and Investments	88,503	58,195	19,457	10,851
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	4,809	4,809	-	-
380-390	Other Increases and Financing Sources	-	-	-	-
510-570	Expenditures	2,718	2,718	-	-
580-590	Other Decreases and Financing Uses	-	-	-	-
Net Increase (Decrease) in Cash and Investments:		2,091	2,091	-	-
508	Ending Cash and Investments	91,773	61,465	19,457	10,851

The accompanying notes are an integral part of this statement.

GARFIELD COUNTY, WASHINGTON
ALL FUNDS
NOTES TO FINANCIAL STATEMENTS
January 1, 2014 to December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Garfield County was incorporated on November 29, 1881 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 government and provides general administrative services, public safety, road improvement, judicial administration, health and social services. The county uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Requirements

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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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 county on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

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

b. Basis of Accounting

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

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

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

c. Budgets

The county adopts annual appropriated budgets for the Current Expense, County Road, Fair Fund, Ag Museum, Fair Building, Mental Health, Veterans Relief, Parks and Recreation, Noxious Weed Board, Employees CAF Trust, Substance Abuse, Paths and Trails, Law Library, LFO Collections, Affordable housing, Burn Permits, Developmental Disabilities, REET, City County Drug, DARE,

DUI, Auditor O&M, Historic Document Preservation, E911, Rural Transportation, Emergency Management, Criminal Justice, Trial Court Improvement, MH Building Maintenance, Capital Improvements, ER&R, Criminal Victims Witness and HS Library funds. These budgets are appropriated at the fund level except in the general (current expense) fund, where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Commissioner	232980	196829	36151
Superior Court	80359	76742	3617
Clerk	98856	98126	730
Meth Enforcement	0	0	0
District Court	164149	147914	16235
Treasurer	152267	137709	14558
Auditor	188528	179687	8841
Assessor	169720	144044	25676
Board of Equalization	3769	2395	1374
Election	40550	16045	24505
Prosecuting Attorney	221989	212081	9908
Courthouse	122527	119647	2880
Computer	69000	49400	19600
Copy Machine	7000	1415	5585
Sheriff	708075	634424	73651
Civil Service	300	300	0
Jail	171285	151992	19293
Dispatcher	404409	355537	48872
Building Inspector	10319	6298	4021
Administration	11595	11557	38
Service Delivery	108591	102937	5654
Senior Round Table	4394	806	3588
Planning	28945	34050	-5105
Agent	70186	72424	-2238
Library	54331	50362	3969
Miscellaneous	280903	264526	16377
CE Total	3405027	3067247	337780
County Road	3174940	2862259	312681
Fair Fund	98667	75236	23431
Ag. Museum	130000	34824	95176
Fair Building Fund	4008	0	4008
Mental Health	163000	10553	152447
Veterans Relief	16000	214	15786
Treasurer's Revolving	0	0	0
Parks and Recreation	213	213	0
Noxious Weed Board	32000	26051	5949
Employees CAF Trust	90000	83321	6679
Substance Abuse	98150	102522	-4372

Paths and Trails	30000	0	30000
Law Library	7900	5219	2681
LFO Collections	2400	49	2351
Affordable Housing	15355	15352	3
Burn Permits	74000	62487	11513
Developmental Disab.	17400	7709	9691
County Tech Fee REET	95444	16132	79312
City County Drug	10900	1857	9043
DARE	85	85	0
DUI	37000	9482	27518
Auditor O&M	104928	16206	88722
Historic Doc. Pres.	355000	39120	315880
E911	724721	739345	-14624
Rural Transportation	185005	175922	9083
Emergency Management	15550	23504	-7954
Criminal Justice	802000	200000	602000
Trial Court Improvement	26000	1641	24359
MH Building Maint.	18000	330	17670
Capital Improvements	808000	13450	794550
ER&R	842100	826315	15785
Criminal Victims Witness	10000	2718	7282
HS Library	2825	0	2825

Budgeted amounts are authorized to be transferred between object classes within a department of the General Fund and are authorized to be transferred between object classes within the other funds; 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

It is the county's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the Current Expense fund per RCW 36.29.020 and the County Investment Policy.

e. Deposits

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

f. Investments See Investment Note 3.

g. Capital Assets

Capital assets are long-lived assets of the county and are recorded as expenditures when purchased. During the budget process capital purchase requests are identified by the departments and then reviewed and approved for purchase by the County Commissioners as a separate line item within the appropriate budget.

h. Compensated Absences

Vacation pay may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated from year to year not to exceed the limit of 960 working hours. Sick Leave earned after the employee has accumulated the full limit of 960 unused hours shall be converted to vacation time by the County at the rate of one hour of vacation time for each 2 hours of excess unused sick leave. For those employees first hired before December 27, 1995, no payment shall be made at retirement for any accumulated sick leave existing and not used as of the retirement date. Employees who contemplate retirement, and have given notice in writing to the department head of the effective date of their retirement, may convert any existing sick leave to compensation time off with pay to the extent of said unused sick leave. Those employees first hired on or after December 27, 1995, shall, upon retirement, be paid a sick leave cash-out on a three-to-one basis (three days of accumulated sick leave equals one regular day of pay). In the event of termination for reasons other than retirement or death, no payment shall be made for any accumulated sick leave existing at time of termination.

i. Debt Service Requirements - See Debt Service Requirements Note 6

j. Other Financing Sources or Uses

The county's *Other Financing Sources or Uses* consist of operating transfers-in and operating transfers-out or compensation for the sale/loss/impairment of Capital Assets.

k. 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 Garfield County Commissioners. When expenditures that meet restrictions are incurred, the county intends to use reserved resources first before using unreserved amounts. Reservations of Ending Cash and Investments consist of funds budgeted for specific projects or commitments.

l. Risk Management

Garfield County is a member of the Washington Counties Risk Pool ("Pool") which was formed August 18, 1988 when counties in the state of Washington joined together by signing an Interlocal agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Chapter 48.62 RCW authorizes the governing bodies of governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, 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. The agreement to form the Pool was made pursuant to the provisions of Chapter 39.43 RCW, the Interlocal Cooperation Act. The Pool is presently comprised of twenty-eight of the state's counties.

The Pool allows its member counties to establish a plan of self-insurance, jointly purchase excess insurance or reinsurance, and provide related services. All pool joint self-insurance liability coverage, including public official's errors and omissions, are on an "occurrence" basis. The pool has also arranged property and special events/concessionaires insurance coverage to be purchased as group purchase options for its member counties.

Member counties contract initially to remain in the Pool for five years and renew annually automatically. Following the initial 5-year commitment, a county may terminate its Pool membership at the conclusion of any Pool fiscal year if the county has timely provided the required notice. Even after termination, a member county is responsible for contributions to the Pool for any unresolved, unreported, and in-process claims from the period(s) that it was a signatory to the Interlocal agreement.

The pool is governed by a board that is comprised of one director (and one or more alternates) appointed by each participating member county from the county's own officials or employees. An executive committee is selected by the governing board from the directors and alternates at the annual meeting that is responsible for overseeing the business affairs of the Pool.

Since the Pool is a cooperative program, there is contingent liability among the participating member counties. Claims that are filed with the Pool are subject to the deductible amount selected by the filing county. Member deductibles range from \$10,000 to \$500,000 per occurrence. The Pool, which is fully funded by the annual assessments contributed by its member counties, acquires reinsurance and excess insurance policies from unrelated underwriters with a self-insured retention of \$100,000 per occurrence.

The member counties are responsible for amount within their deductibles for each claim and the pool is responsible for any difference remaining up to the \$100,000 self-insured retention. The reinsurance and excess insurance carriers cover all losses exceeding the Pool's \$100,000 retention or the member county's deductible, whichever is greater, to the maximum limits of their policies.

RCW 48.62.141 and the Interlocal Agreement provide for the contingent liability of participants in the program if assets of the program are insufficient to cover the program's liabilities. Deficits of the Pool are financed through retroactive assessments to member counties, including the following that is pertinent to Garfield County.

- In July 2004, the Pool board approved a reassessment of \$2.1 million to offset the uncollected insurance reimbursements and legal expenses resulting from certain excess insurance and reinsurance companies having delayed reimbursement to the Pool of their contractual shares from the Vicwood-Merdian class action settlement. This additional reassessment will be billed in equal payments starting at a time and in amounts set by the Pool's Executive Committee when the Committee determines that funds are needed to address the Pool's near or short-term financial obligations and/or after the Committee has determined that reasonable efforts to collect the amounts have been made without complete success. Any actual reassessment forthcoming will be distributed according to the proportional amounts paid by each participant county for the \$4.5 million excess of \$0.5 million layer of excess insurance and/or reinsurance for the applicable policy year(s) actually reassessed.

Garfield County has elected to purchase joint self-insurance with a \$10,000 deductible. The policy limits are as follows: Property (buildings and contents) \$7,000,000; Comp general liability, \$7,000,000; Auto liability, \$10,000,000; public officials and employees liability, \$10,000,000; crime, \$10,000,000 boiler and catastrophe, \$7,000,000 with a \$100,000 deductible. Garfield County self-insures for vehicle collision and theft.

The financial statements of the risk pool may be obtained by contacting the following:

Washington Counties Risk Pool
205 Clark Place SE
Tumwater, WA 98501-4062

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the county.

NOTE 3 - INVESTMENTS

The county's investments are either insured, registered or held by the county or its agent in the county's name. Investments will be carried at cost as per our County Investment Policy (Resolution #13923).

Investments are presented at US Bank, Umpqua Bank, and Columbia State Bank.

Investments by type at December 31, 2014 are as follows:

Type of Investment	Garfield County's own investments	Investments held by Garfield County as an agent for other local governments, individual or private organizations.	Total
LGIP County	\$ 2,301,575.03	\$ 369,882.26	\$ 2,671,457.29
TV/BD US Bank	\$ 500,847.22		\$ 500,847.22
Umpqua Bank CD	\$ 1,006,508.90		\$ 1,006,508.90
Umpqua Bank MM	\$ 1,751,046.17		\$ 1,751,046.17
US Bank CD	\$ 250,000.00		\$ 250,000.00
Columbia Bank Now Acct.	\$ 750,025.82		\$ 750,025.82
IRPCR ILGIP	\$ 14,425.33		\$ 14,425.33
HS Library Umpqua Bank	\$ 7,500.00		\$ 7,500.00
LGIP Veterans Relief	\$ 11,628.65		\$ 11,628.65
LGIP Hospital Mem		\$ 67,719.70	\$ 67,719.70
LGIP School Dist. # 110		\$ 223,251.58	\$ 223,251.58
LGIP School Building		\$ 66,556.20	\$ 66,556.20
LGIP School BD		\$ 55,125.93	\$ 55,125.93
LGIP ASB		\$ 88,682.17	\$ 88,682.17
LGIP Hospital General		\$ 1,472,341.08	\$ 1,472,341.08
LGIP School TVF		\$ 59,423.27	\$ 59,423.27
LGIP Port District		\$ 395,029.71	\$ 395,029.71
LGIP Port USFSM		\$ 33,981.57	\$ 33,981.57
LGIP Fire District		\$ 514,876.65	\$ 514,876.65
Total	\$ 6,593,557.12	\$ 3,346,870.12	\$ 9,940,427.24

NOTE 4 - 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 \$1.15644661 per \$1,000 on an assessed valuation of \$531,279,167 for a total regular levy of \$614,359.99.

The county's Mental Health levy for the year 2014 was \$.025 per \$1,000 on an assessed valuation of \$531,279,167 for a total mental health levy of \$13,281.98.

The county is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy for 2014 was \$1.47377973 per \$1,000 on an assessed valuation of \$460,333,025 for a total road levy of \$678,429.48.

The County elected to not levy for Veterans Relief.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2014:

Borrowing Fund	Lending Fund	Balance 1/1/2014	New Loans	Repayments	Balance 12/31/2014
102 – FF	001 – CE	\$ 4,000	\$	\$	\$ 4,000
104 – MH	001 – CE	\$ 12,037	\$	\$	\$ 12,037
113 – SA	001 – CE	\$ 4,093.90	\$	\$ 4,093.90	\$ 0
195 – MH Mt.	001 – CE	\$ 1,000	\$	\$	\$ 1,000
127 – E911	001 – CE	\$ 7,100	\$	\$	\$ 7,100
401 – SWM	001 – CE	\$ 1,200	\$	\$	\$ 1,200
128 – RT	001 – CE	\$ 19,900	\$ 26,000	\$	\$ 45,900
	Totals	\$ 49,330.90	\$ 26,000.00	\$ 4,093.90	\$ 71,237.00

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term 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 County holds no debt at this time.

NOTE 7 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in Public Employees Retirement System (PERS), Law Enforcement Officers and Fire fighters (LEOFF), 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 8 – WORKING ADVANCES

Garfield County has a contract with the Department of Social and Health Services (DSHS) for the administration of the Alcohol & Substance Abuse (Fund #113) and Developmental Disabilities (Fund #119) programs. These contracts require regular payments to vendors on a monthly basis. Usually these payments must be made before the reimbursement from DSHS is received and this causes a cash flow

problem for the County. The County has a Working Advance Agreement with DSHS to cover these payments. On December 31, 2014 the amounts of these Working Advances are:

#113 – Alcohol & Substance Abuse	\$0
#119 – Developmental Disabilities	\$0
Total	\$0

These amounts belong to DSHS and were paid back during 2014.

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

The County had Prior Period Adjustments to make a correction to the Public Health District Revolving and to move the correct funds into the County's Advance Travel Fund. Deposits were made into these accounts many years ago, but the money was not previously moved from the cash balance of the appropriate funds. These prior period adjustments total to \$5,689.86.

NOTE 10 - OTHER DISCLOSURES

There are no other disclosures.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Countywide Compensated Absences		123,043	-	632	122,411
	Total General Obligations:		123,043	-	632	122,411
	Total Liabilities:		123,043	-	632	122,411

Garfield 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	
Aging Cluster							
Administration For Community Living, Department Of Health And Human Services (via DSHS)	Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	2014GC	67,000	-	67,000	2
	Total Aging Cluster:			67,000	-	67,000	
Forest Service Schools and Roads Cluster							
Forest Service, Department Of Agriculture (via Treasurer)	Schools and Roads - Grants to Counties	10.666	N/A	59,541	-	59,541	2
	Total Forest Service Schools and Roads Cluster:			59,541	-	59,541	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Transportation)	Highway Planning and Construction	20.205	HSIP-000S(258)	535,008	-	535,008	2
	Total Highway Planning and Construction Cluster:			535,008	-	535,008	
Other Programs							
Federal Transit Administration (fta), Department Of Transportation (via Transportation)	Formula Grants for Rural Areas	20.509	GCB1604	64,321	-	64,321	2
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0963-68030	77,832	-	77,832	2
Department Of Homeland Security (via Emergency Management)	Homeland Security Grant Program	97.067	E12-228	6,093	-	6,093	2
Department Of Homeland Security (via Emergency Management)	Homeland Security Grant Program	97.067	E14-250	17,369	-	17,369	2
Total CFDA 97.067:				23,462	-	23,462	
Total Federal Awards Expended:				827,164	-	827,164	

GARFIELD COUNTY
NOTES TO SCHEDULE 16
JANUARY 1, 2014 THRU DECEMBER 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the County's financial statements. The County uses a fund accounting system wherein each fund is considered a separate accounting entity with a set of self balancing accounts.

NOTE 2 - PROGRAM COSTS

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

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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov