



Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Okanogan County

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

Published May 2, 2016

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Washington State Auditor's Office

May 2, 2016

Board of Commissioners
Okanogan County
Okanogan, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

A handwritten signature in blue ink that reads "Jan M. Jutte".

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

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FEDERAL SUMMARY

Okanogan County January 1, 2014 through December 31, 2014

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

We noted instances of noncompliance that were material to the financial statements of the County.

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.665	Schools and Roads – Grants to States
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Okanogan County January 1, 2014 through December 31, 2014

2014-001 The County's internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting.

Background

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

Prior audits have consistently identified less significant control deficiencies in accurate financial reporting that have been communicated to County management.

Description of Condition

Our audit identified deficiencies in internal controls that, when taken together, represent a significant deficiency:

- County staff responsible for financial statement preparation lacked sufficient technical knowledge needed to ensure that the County's financial reports complied with reporting requirements relating to classification of fund balances as reserved or unreserved.
- County staff did not consistently review journal entries for accuracy and supporting documentation, including journal entries related to classifying fund balances as reserved or unreserved.
- County management did not monitor to ensure that an established monthly reconciliation between financial information from the Treasurer's Office and the Auditor's Office was being consistently performed.
- The County's existing process of using grant accountability worksheets to assist with the accurate preparation of the Schedule of Expenditures of Federal Awards was not followed for the federal disaster grant the County received from the Federal Emergency Management Agency.

- County management's normal process for reviewing the draft financial statements, notes and schedules for accuracy and completeness was not fully completed for the 2014 financial statements.

Cause of Condition

The County experienced turnover in the position primarily responsible for financial statement preparation. County management did not provide sufficient monitoring to ensure that existing controls continued to be consistently applied and that new controls were created, as needed, to ensure that the financial statements were accurate, complete, and consistent with current reporting requirements.

Effect of Condition

These deficiencies resulted in the following errors in the County's financial statements:

- Approximately \$4.6 million in beginning fund balance was incorrectly reported as reserved. Total errors in the classification of ending fund balance between reserved and unreserved were over \$7.8 million. Total fund balance, however, was correct.
- Schedule of Expenditures of Federal Awards had errors totaling approximately \$315,000, including one grant program for which expenditures were overstated by \$248,000
- Notes to the financial statements contain several errors, including disclosures that were not updated from the prior year, tables with incorrect information, and mathematical errors.

We also identified other, less significant errors. The County has corrected all of the misstatements.

In addition, the County provided its final financial statements for audit on September 25, 2015. As such, the County did not meet the requirement to submit its financial statement and federal compliance audit report to the Federal Audit Clearinghouse by September 30, 2015.

Recommendations

We recommend the County:

- Provide adequate time and training to staff responsible for financial reporting so that the County's financial statements comply with reporting

requirements and the likelihood of errors, including errors on the Schedule of Expenditures of Federal Awards, is reduced.

- Increase monitoring to ensure that normal control procedures – such as accounting personnel reconciling to Treasurer’s Office financial information and completing federal grant accountability worksheets – are consistently performed.
- Ensure that established processes, including the detailed secondary review to ensure financial statements and schedules are accurate and comply with current reporting requirements, are consistently and effectively performed.

County’s Response

We appreciate the opportunity to respond to the Auditor’s finding.

The County had a retirement of the Chief Accountant responsible for the financial statement preparation. Although the County provided for 6 months of training for her replacement prior to the retirement, including preparation of the 2013 financial statement, we concur with the statement that staff responsible for the preparation lacked sufficient technical knowledge needed to ensure the County’s financial reporting requirements were met. Unfortunately this was not readily apparent until after the sudden departure of the replacement from county employment.

The current Finance Manager, responsible for the preparation of the County financial statements, is knowledgeable and aware of the reporting requirements relating to classification of fund balances as reserved or unreserved. We have also been instructed on the State Auditor’s requirements for reporting Federal Emergency Management Agency dollars, and have implemented the processes for any money the County may receive from the catastrophic 2015 wildfires.

The County Auditor’s long proven processes for monthly reconciliation have been re-established, along with the customary review of financial statements and schedules. A practice to review Journal Entries has also been put into effect.

In addition to the chance to respond we are thankful for the opportunity to correct the errors and misstatements on the financial statements as noted in the ‘Effect of Condition’ section, even though it resulted in the late submission of the final report.

Auditor’s Remarks

We appreciate the assistance provided by County management and staff, and we will review this condition during our next audit.

Applicable Laws and Regulations

Statement on Auditing Standards No. 115, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants, defines material weakness and significant deficiency as follows:

a. Material weakness:

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

b. Significant deficiency:

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.

Government Auditing Standards, July 2007 Revision – Section 5.11, provides that auditors should report significant deficiencies and material weaknesses in internal control.

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics, states:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what Agency authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a

local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

The reports shall be certified as to their correctness by the state auditor, the state auditor's deputies, or other person legally authorized to make such certification.

Their substance shall be published in an annual volume of comparative statistics at the expense of the state as a public document.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its Codification of Statements on Auditing Standards, Section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

**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**

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

Board of Commissioners
Okanogan County
Okanogan, 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 Okanogan 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 April 11, 2016.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2014-001, that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2014-001.

COUNTY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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



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

April 11, 2016

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

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

Board of Commissioners
Okanogan County
Okanogan, Washington

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

We have audited the compliance of Okanogan 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.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is cursive and fluid.

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

April 11, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Okanogan County January 1, 2014 through December 31, 2014

Board of Commissioners
Okanogan County
Okanogan, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Okanogan 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 22.

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, Okanogan 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 Okanogan 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 Okanogan 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 April 11, 2016 on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

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

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

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

April 11, 2016

FINANCIAL SECTION

Okanogan 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

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 CURRENT EXPENSE</u>	<u>101 VETERANS' RELIEF</u>
Beginning Cash and Investments				
30810	Reserved	25,870,657	-	78,670
30880	Unreserved	3,815,737	3,332,307	-
388 & 588	Prior Period Adjustments, Net	(26,592)	(22,124)	-
Operating Revenues				
310	Taxes	14,692,362	8,477,728	60,198
320	Licenses and Permits	357,760	327,196	-
330	Intergovernmental Revenues	14,673,144	4,827,968	484
340	Charges for Goods and Services	8,189,043	3,195,329	-
350	Fines and Penalties	970,573	908,607	-
360	Miscellaneous Revenues	5,017,266	847,994	-
Total Operating Revenues:		<u>43,900,148</u>	<u>18,584,821</u>	<u>60,682</u>
Operating Expenditures				
510	General Government	8,338,139	7,870,652	-
520	Public Safety	11,131,381	9,607,617	-
530	Utilities	2,230,185	3,698	-
540	Transportation	11,968,534	-	-
550	Natural and Economic Environment	1,229,776	631,490	-
560	Social Services	926,130	256,821	70,389
570	Culture and Recreation	404,379	74,672	-
Total Operating Expenditures:		<u>36,228,525</u>	<u>18,444,949</u>	<u>70,389</u>
Net Operating Increase (Decrease):		<u>7,671,624</u>	<u>139,872</u>	<u>(9,707)</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	267,534	174,881	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	1,018,685	-	-
Total Nonoperating Revenues:		<u>1,286,219</u>	<u>174,881</u>	<u>-</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	2,487	2,487	-
591-593	Debt Service	835,680	-	-
594-595	Capital Expenditures	6,720,387	181,224	-
597	Transfers-Out	1,018,685	86,674	-
Total Nonoperating Expenditures:		<u>8,577,240</u>	<u>270,385</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments:		<u>380,604</u>	<u>44,368</u>	<u>(9,707)</u>
Ending Cash and Investments				
5081000	Reserved	22,725,673	-	68,963
5088000	Unreserved	7,314,734	3,354,551	-
Total Ending Cash and Investments		<u>30,040,406</u>	<u>3,354,551</u>	<u>68,963</u>

The accompanying notes are an integral part of this statement.

102 ROAD FUND	103 NOXIOUS WEED CONTROL	104 MENTAL HEALTH	105 DEVELOPMENTAL DISABILITIES	106 COUNTY DRUG CONTROL	107 ALCOHOL/DRUG ABUSE
5,985,632	94,109	130,841	67,234	22,504	197,934
-	-	-	-	-	-
-	-	-	-	-	-
3,798,215	-	80,825	18,216	-	-
30,564	-	-	-	-	-
7,661,688	163,367	653	147	-	3,221
421,030	57,640	-	-	-	-
-	-	-	-	-	-
67,959	210,214	-	-	-	-
11,979,458	431,222	81,478	18,363	-	3,221
30,081	-	-	-	-	-
78,899	-	-	-	99	-
5,789	440,773	-	-	-	-
8,756,561	-	-	-	-	-
-	-	-	-	-	-
-	-	60,000	30,000	-	34,000
-	-	-	-	-	-
8,871,329	440,773	60,000	30,000	99	34,000
3,108,129	(9,551)	21,478	(11,637)	(99)	(30,779)
532	-	-	-	-	-
-	-	-	-	-	-
40,000	-	-	-	-	40,315
40,532	-	-	-	-	40,315
-	-	-	-	-	-
-	-	-	-	-	-
3,210,598	-	-	-	-	-
345,521	-	40,315	-	-	-
3,556,119	-	40,315	-	-	-
(407,459)	(9,551)	(18,837)	(11,637)	(99)	9,536
5,578,173	-	112,004	55,597	22,405	207,470
-	84,557	-	-	-	-
5,578,173	84,557	112,004	55,597	22,405	207,470

The accompanying notes are an integral part of this statement.

108 LAW LIBRARY	109 JAIL COMMISSARY	110 TREASURER'S O. & M.	111 PROBATION SERVICES	112 COUNTY FAIR	113 BECCA BILL IMPACT FUND
19,610	-	86,382	44,108	-	25,579
-	128,158	-	-	154,318	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	35,765	47,397
10,747	26,660	-	131,672	88,416	-
-	-	56,881	-	-	-
-	71,812	-	-	106,791	-
<u>10,747</u>	<u>98,472</u>	<u>56,881</u>	<u>131,672</u>	<u>230,971</u>	<u>47,397</u>
12,215	-	47,874	-	-	-
-	126,177	-	133,419	-	48,900
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	202,500	-
<u>12,215</u>	<u>126,177</u>	<u>47,874</u>	<u>133,419</u>	<u>202,500</u>	<u>48,900</u>
<u>(1,468)</u>	<u>(27,705)</u>	<u>9,007</u>	<u>(1,747)</u>	<u>28,471</u>	<u>(1,503)</u>
-	-	-	-	13,847	-
-	-	-	-	-	-
-	-	-	-	3,000	-
-	-	-	-	<u>16,847</u>	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,211	-
-	-	-	-	-	-
-	-	-	-	<u>3,211</u>	-
<u>(1,468)</u>	<u>(27,705)</u>	<u>9,007</u>	<u>(1,747)</u>	<u>42,107</u>	<u>(1,503)</u>
18,142	-	95,389	42,361	-	24,077
-	100,453	-	-	196,425	-
<u>18,142</u>	<u>100,453</u>	<u>95,389</u>	<u>42,361</u>	<u>196,425</u>	<u>24,077</u>

The accompanying notes are an integral part of this statement.

114 PATHS & TRAILS	117 OK. CO. INFRASTRUCTURE FUND	119 PEST CONTROL	120 TSC-911 COMMUNICATIONS	121 EMERGENCY SERVICES	124 SHERIFF'S SPECIAL PROJECTS
104,277	614,482	179,108	329,906	38,316	-
-	-	-	-	-	96,159
-	(4,468)	-	-	-	-
-	575,286	-	440,343	-	-
-	-	-	-	-	-
16,304	-	-	324,190	-	13,075
-	-	-	2,556	47,306	-
-	-	-	-	-	-
139	968	58,881	85	5,770	36,650
<u>16,443</u>	<u>576,255</u>	<u>58,881</u>	<u>767,175</u>	<u>53,076</u>	<u>49,725</u>
-	100,000	-	-	-	-
-	-	-	692,886	116,044	37,240
-	-	-	-	3,922	-
-	-	-	-	-	-
-	-	73,780	-	-	-
-	-	-	-	-	-
-	40,000	-	-	-	-
<u>-</u>	<u>140,000</u>	<u>73,780</u>	<u>692,886</u>	<u>119,966</u>	<u>37,240</u>
<u>16,443</u>	<u>436,255</u>	<u>(14,899)</u>	<u>74,289</u>	<u>(66,890)</u>	<u>12,485</u>
-	-	-	40,143	-	-
-	-	-	-	-	-
-	-	-	33,453	72,474	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>73,596</u>	<u>72,474</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	54,143	-	3,654
30,000	224,769	-	-	-	-
<u>30,000</u>	<u>224,769</u>	<u>-</u>	<u>54,143</u>	<u>-</u>	<u>3,654</u>
(13,557)	211,486	(14,899)	93,742	5,584	8,831
90,720	821,500	-	423,383	-	-
-	-	164,209	265	43,900	104,990
<u>90,720</u>	<u>821,500</u>	<u>164,209</u>	<u>423,648</u>	<u>43,900</u>	<u>104,990</u>

The accompanying notes are an integral part of this statement.

125 OKANOGAN CO. PARKS & RECREATION	126 STADIUM/TOURIS M FUND	127 AGRIPLEX	129 CRIME VICTIMS' COMPENSATION	132 DRUG TASK FORCE	134 CAPITAL IMPROVEMENT TAX FUND
61,497	140,381	-	10,174	252,976	1,872,645
-	-	104,796	-	-	-
-	-	-	-	-	-
-	109,376	72,917	-	-	242,209
-	-	-	-	-	-
26,344	-	-	40,344	406,797	782,020
-	-	-	26,032	18,200	-
-	-	-	1,971	3,114	-
79	-	50,714	-	30,510	2,344
<u>26,423</u>	<u>109,376</u>	<u>123,631</u>	<u>68,347</u>	<u>458,621</u>	<u>1,026,574</u>
-	-	-	76,222	-	-
-	-	-	-	175,519	-
-	-	-	-	-	-
-	-	-	-	-	-
-	82,992	-	-	-	-
-	-	-	-	-	-
26,599	-	60,608	-	-	-
<u>26,599</u>	<u>82,992</u>	<u>60,608</u>	<u>76,222</u>	<u>175,519</u>	<u>-</u>
(176)	26,384	63,023	(7,875)	283,102	1,026,574
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,200	-
-	-	-	-	<u>4,200</u>	-
-	-	-	-	-	-
-	-	-	-	-	302
-	-	342	-	-	1,088,536
-	3,000	29,590	-	-	258,816
-	<u>3,000</u>	<u>29,932</u>	-	-	<u>1,347,654</u>
(176)	23,384	33,091	(7,875)	287,302	(321,080)
-	163,765	-	2,299	540,279	1,551,565
61,321	-	137,887	-	-	-
<u>61,321</u>	<u>163,765</u>	<u>137,887</u>	<u>2,299</u>	<u>540,279</u>	<u>1,551,565</u>

The accompanying notes are an integral part of this statement.

137 TITLE III PROJECTS	140 TOURISM MARKETING FUND	141 AFFORDABLE HOUSING FUND	142 COUNTY HOMELESS	143 THERAPEUTIC COURT FUND	144 REET/REVALV
101,731	112,343	11,161	298,900	178,363	125,371
-	-	-	-	-	-
-	-	-	-	-	-
-	181,868	-	-	635,180	-
-	-	-	-	-	-
71,336	-	-	-	21,530	13,766
-	-	37,643	182,116	1,480	-
-	-	-	-	-	-
87	-	-	-	-	-
71,424	181,868	37,643	182,116	658,190	13,766
-	-	-	-	98,212	4,150
85,966	-	-	-	28,615	-
-	-	-	-	-	-
-	-	-	-	-	-
-	218,121	39,148	184,246	-	-
-	-	-	-	474,920	-
-	-	-	-	-	-
85,966	218,121	39,148	184,246	601,747	4,150
(14,542)	(36,253)	(1,505)	(2,130)	56,443	9,616
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,970	-
-	-	-	-	-	-
-	-	-	-	4,970	-
(14,542)	(36,253)	(1,505)	(2,130)	51,473	9,616
87,189	76,090	9,656	296,771	229,836	134,987
-	-	-	-	-	-
87,189	76,090	9,656	296,771	229,836	134,987

The accompanying notes are an integral part of this statement.

195 TRIAL COURT IMPROVEMENT	201 G O BOND FUND	402 LIBERTY WOODLANDS SEWER SYSTEM	405 SOLID WASTE ENTERPRISE	406 MAZAMA WQPS	407 CONCONULLY SEWER ENTERPRISE
91,630	-	73,955	11,557,976	170,640	37,680
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38,276	-	-	130,108	-	-
8,213	-	17,892	2,538,032	-	76,016
-	-	-	-	-	-
-	-	118	101,938	236	6,829
<u>46,489</u>	<u>-</u>	<u>18,010</u>	<u>2,770,077</u>	<u>236</u>	<u>82,845</u>
15,625	-	-	-	-	-
-	-	-	-	-	-
-	-	11,146	1,690,902	-	64,398
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,625</u>	<u>-</u>	<u>11,146</u>	<u>1,690,902</u>	<u>-</u>	<u>64,398</u>
<u>30,864</u>	<u>-</u>	<u>6,864</u>	<u>1,079,175</u>	<u>236</u>	<u>18,447</u>
-	-	-	38,131	-	-
-	-	-	-	-	-
-	825,243	-	-	-	-
-	<u>825,243</u>	-	<u>38,131</u>	-	-
-	-	-	-	-	-
-	825,243	-	-	-	10,135
-	-	-	1,196,686	-	-
-	-	-	-	-	-
-	<u>825,243</u>	-	<u>1,196,686</u>	-	<u>10,135</u>
30,864	(0)	6,864	(79,380)	236	8,312
122,494	-	80,818	8,412,419	170,876	45,991
-	-	-	3,066,176	-	-
<u>122,494</u>	<u>-</u>	<u>80,818</u>	<u>11,478,595</u>	<u>170,876</u>	<u>45,991</u>

The accompanying notes are an integral part of this statement.

408 EDELWEISS SEWER SYSTEM	410 EASTLAKE UTILITY CONSTRUCTION	501 EQUIPMENT RENTAL & REVOLVING FUND	504 M.A.R.C. FUND	710 BERG BROS TRUST
36,856	99,283	2,064,434	291,042	262,930
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	48,362	-
15,341	32,700	1,220,958	33,063	-
-	-	-	-	-
47	159	3,416,572	-	371
<u>15,388</u>	<u>32,859</u>	<u>4,637,531</u>	<u>81,425</u>	<u>371</u>
-	-	-	83,108	-
-	-	-	-	-
9,557	-	-	-	-
-	-	3,211,973	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>9,557</u>	<u>-</u>	<u>3,211,973</u>	<u>83,108</u>	<u>-</u>
<u>5,831</u>	<u>32,859</u>	<u>1,425,558</u>	<u>(1,683)</u>	<u>371</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>9,557</u>	<u>-</u>	<u>3,211,973</u>	<u>83,108</u>	<u>-</u>
<u>5,831</u>	<u>32,859</u>	<u>1,425,558</u>	<u>(1,683)</u>	<u>371</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	977,023	-	-
-	-	-	-	-
-	-	977,023	-	-
<u>5,831</u>	<u>32,859</u>	<u>448,535</u>	<u>(1,683)</u>	<u>371</u>
42,686	132,141	2,512,968	289,359	263,301
-	-	-	-	-
<u>42,686</u>	<u>132,141</u>	<u>2,512,968</u>	<u>289,359</u>	<u>263,301</u>

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	600 OUTSIDE TRUST ACCOUNTS	621 LUMBERING TRUST FUND	622 TREASURER TAX TRUST
308	Beginning Cash and Investments	1,107,527	619,669	117,324	207,001
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	5,659,743	3,237,860	167	163,547
380-390	Other Increases and Financing Sources	2,446,192	-	-	-
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	7,973,608	3,291,711	-	-
Net Increase (Decrease) in Cash and Investments:		132,327	(53,851)	167	163,547
508	Ending Cash and Investments	1,239,852	565,818	117,491	370,548

		623 LEASEHOLD EXCISE TAX SUSPENSE	630 AGENCY ACCOUNTS
308	Beginning Cash and Investments	22,009	141,524
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	6,235	2,251,935
380-390	Other Increases and Financing Sources	-	2,446,192
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	4,681,898
Net Increase (Decrease) in Cash and Investments:		6,235	16,229
508	Ending Cash and Investments	28,244	157,752

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Okanogan County reports financial activity using the revenue and expenditures 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.

The county of Okanogan was incorporated in the Territorial Laws of 1888 (RCW 36.04.240), State of Washington, applicable to a fourth class county with commissioner form of government. The county is a general purpose government and provides the community, along with its component units, public safety, fire prevention, health and social services, street improvement, parks and recreation, weed and pest controls, and general administrative services. In addition, the County, at this time, owns and operates various sewer systems. The County uses single entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP). Single-entry accounting requires full compliance with all legal requirements. Okanogan County is a category 2 county with a population of fewer than 50,000.

The County has Junior Taxing Districts also that consist of cemetery, TV reception, flood control, irrigation, water, hospital, and school districts as well as cities and towns. The County Treasurer is statutorily the treasurer of all of these districts. The County Auditor approves warrant issue, maintains accounting records and handles budget preparation and monitoring for all except hospitals, schools and cities/towns. The County Assessor is involved with all districts having taxing authority. The County Commissioners approve the budgets of and appoint initial and interim replacement board members for all but hospitals, schools, cities/towns and irrigation districts.

Okanogan 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.

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

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. 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 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.

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.

FIDUCIARY FUND TYPES:

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

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

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 the county holds for others in an agency capacity.

b. Basis of Accounting

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

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 State of America.

c. Budgets

Okanogan County adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level).

The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the year-end.

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

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

Fund/Department	Final Appropriation	Actual Expenditures	Variance
General Fund:			
001. Advanced Expenditures	\$11,500	\$5,827.33	\$5,672.67
002. County Agent	74,343	72,394.07	\$1,948.93
003. County Assessor	915,309	894,755.09	\$20,553.91
004. County Auditor	489,093.00	456,846.96	\$32,246.04
005. Planning	679,428	632,780.72	\$46,647.28
006. County Clerk	478,806.00	473,881.75	\$4,924.25

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

007. County Commissioners	536,292.00	482,912.41	\$53,379.59
008. County Coroner	53,045.00	52,065.00	\$980.00
009. Courthouse Maintenance	539,158.00	487,919.92	\$51,238.08
010. Disability Board	1090	175.6	\$914.40
011. District Court	783,811.00	766,009.30	\$17,801.70
012. Equalization Board	5,038.00	2,010.64	\$3,027.36
013. County Jail	3,477,564.00	3,463,575.67	\$13,988.33
Fund/Department	Final Appropriation	Actual Expenditures	Variance
014. County Juvenile	1,551,652.00	1,514,060.91	\$37,591.09
015. Non-Departmental	2,527,051.00	1,933,310.82	\$593,740.18
016. County Prosecutor	1,307,161.00	1,256,744.26	\$50,416.74
017. County Sheriff	4,053,047.00	3,841,371.66	\$211,675.34
019. State Examiner	54,700.00	53,360.79	\$1,339.21
020. Superior Court	505,722.00	506,381.59	(\$659.59)
021. County Treasurer	469,730.00	424,255.23	\$45,474.77
022. Civil Service Commission	6,150.00	4,110.68	\$2,039.32
023. Building Dept.	295,799.00	293,982.24	\$1,816.76
024. Communications	774,834.00	676,996.63	\$97,837.37
026. Central Services	241,532.00	234,459.24	\$7,072.76
027. Election Services	222,309.00	201,058.67	\$21,250.33
Total General Fund	\$20,054,164.00	\$18,731,247.18	\$1,322,916.82
101. Veteran's Fund	125,791.00	70,388.77	55,402.23
102. Road Fund	16,348,446.00	12,421,659.43	3,926,786.57
103. Noxious Weed	612,227.00	440,773.62	171,453.38
104. Mental Health	184,340.00	100,315.10	84,024.90
105. Developmental Disabilities	66,441.00	30,000.00	36,441.00
106. County Drug Control	40,000.00	99.4	39,900.60
107. Alcohol/Drug Control	194,659.00	34,000.00	160,659.00
108. Law Library	33,000.00	12,214.60	20,785.40
109. Jail Commissary	206,000.00	128,557.09	77,442.91
110. Treasurer's O & M	76,935.00	47,874.15	29,060.85
111. Probation Services	194,129.00	133,418.83	60,710.17
112. County Fair	320,100.00	205,712.04	114,387.96
113. Becca Bill	67,885.00	48,900.00	18,985.00
114. Paths and Trails	103,100.00	30,000.00	73,100.00
116. Flood Control	22,020.00	5,452.51	16,567.49
117. Infrastructure	1,095,850.00	364,768.84	731,081.16
119. Pest Control	246,000.00	73,779.82	172,220.18
120. TSC-911 Communications	931,403.00	747,029.70	184,373.30
121. Emergency Services	134,779.00	119,966.00	14,813.00
122. Sewer & Water	80,100.00	336.2	79,763.80
123. Solid Waste Closure	7,602,000.00	23,275.72	7,578,724.28
124. Sheriff's Special Projects	124,511.00	40,894.01	83,616.99

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

125. Park & Rec-Snowmobile	75,097.00	26,598.87	48,498.13
126. Stadium Tourism	223,790.00	85,991.81	137,798.19
127. Agri-plex Fund	225,050.00	90,540.17	134,509.83
129. Crime Victims' Comp.	97,852.00	76,222.04	21,629.96
130. WSU Publication/Mtg.	1,500.00	1,057.14	442.86
132. Drug Task Force	369,395.00	175,518.66	193,876.34
134. Capital Improvement Tax	2,565,498.00	1,347,653.88	1,217,844.12
Fund/Department	Final Appropriation	Actual Expenditures	Variance
136. Medical Ins. Reserve	350,550.00	31,848.34	318,701.66
137. Title III Projects	241,762.00	85,966.36	155,795.64
140. Tourism Marketing	296,437.00	218,121.36	78,315.64
141. Affordable Housing	48,250.00	39,147.60	9,102.40
142. County Homeless	466,016.00	184,245.87	281,770.13
143. Therapeutic Court Fund	743,965.00	606,716.54	137,248.46
144. Reet/Revalv	135,370.00	4,150.24	131,219.76
195. Trial Court Improvement	144,000.00	15,625.12	128,374.88
196. Equipment Reserve Fund	104,500.00	65,940.87	38,559.13
197. Vehicle Reserve fund	296,500.00	135,803.47	160,696.53
198. Current Expense Resvr	1,501,200.00	158,000.00	1,343,200.00
402. Liberty Woodlands Sewer	68,556.00	11,146.14	57,409.86
405. Solid Waste Enterprise	5,623,967.00	3,656,312.72	1,967,654.28
406. Mazama Water Quality	170,150.00	0	170,150.00
407. Conconully Lakes Sewer	122,708.00	74,533.89	48,174.11
408. Edelweiss Sewer System	54,414.00	9557.01	44,856.99
410. Eastlake Utility Construct.	132,575.00	0	132,575.00
501. ER&R	6,165,250.00	4,188,996.31	1,976,253.69
504. M.A.R.C.	363,100.00	83,108.08	279,991.92
Total Miscellaneous Funds	49,397,168.00	26,452,218.32	22,944,949.68

The Carlton Complex Fire impacted the County financially in all core services (Sheriff, Emergency Management, Assessor, Building, Treasurer, and Finance)

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments) without approved resolution. 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 Okanogan County legislative body and require a resolution.

d. Cash

It is Okanogan 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 prorated to the various funds.

NOTES TO FINANCIAL STATEMENTS
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e. Deposits

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

f. Investments See Note (Investment Note # 3)

g. Derivatives and Similar Transaction

None.

h. Capital Assets

Capital assets are assets with an initial cost more than \$5000 and an estimated useful life of 1 year or more. The Capital assets of the County are recorded as expenditures when purchased.

i. Compensated Absences

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

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

j. Long-Term Debt See Note (Long-Term Debt Note #6)

k. Other Financing Sources Or Uses

The County's "Other Financing Sources or Uses" consist of:

- Operating Transfers – In
- Operating Transfers – Out
- Sale of Capital Assets
- Interest and Other Debt Service Costs
- Capital Expenditures
- Insurance Recoveries
- Inter-fund Loans paid-repaid

l. Risk Management

Background

The Washington Counties Risk Pool ("WCRP" or "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. The foundational agreement

NOTES TO FINANCIAL STATEMENTS
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authorized the Pool's 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." Twenty seven Washington counties started 2013-14, this reporting year, as WCRP members. But the cancellation of one membership by the Board of Directors effective April 29, 2014 resulted in the year concluding with twenty six WCRP members.

WCRP is not an "insurer" (RCW 48.01.050) or an insurance company, and it is not subject to the special laws and rules that govern insurers and insurance companies. Washington's pools are risk-sharing entities that must first be approved by, and are thereafter overseen by and report to, the State Risk Manager. They are not regulated by the Office of the Insurance Commissioner. They operate under the state's "pooling" laws and regulations, specifically RCW 48.62 and Washington Administrative Code ("WAC") 200-100. Since they are public entities, pools are subject to audits at least annually by the State Auditor's Office

Financial Summary

In Py2014, assets grew 1% to \$47.4 million while liabilities were reduced 7% to \$28.0 million. These combined to produce an "assets to liabilities" ratio of 1.69:1. For comparison, the Py2004 (ten years ago) ratio was 0.94:1 and would have been 0.74:1, except for the members' reassessments receivables ("retroactive assessments") that were part of the Py2004 assets. Net position (aka "net assets" or "owners' equity") improved 16% to \$19.4 million (as of September 30, 2014), a 10-year improvement exceeding \$20 million from the "negative" \$0.7 million at the end of Py2004. The "non-restricted" net position (\$18.3 million) fully satisfies the State Risk Manager's solvency provisions {WAC 200.100.03001(3)} and substantially satisfies the WCRP Board's own sufficiency requirements {section D.2 of the Underwriting Policy}.

Operating income of \$1.7 million was realized in Py2014, lower year-over-year but still the fifth largest amount in recent years and 12% above the past ten years' (Pys2004 – 2013) average. And while revenues grew 7%, expenses increased 22% due in large part to actuarial adjustments to claims-related reserves and increased premiums for the reinsurance, excess liability insurance, and property insurance policies the Board of Directors decided to acquire.

Reported liability claims (and lawsuits) declined 5.5%, a continuation of the downward trend experienced in recent years. Claims reserves were estimated (as of September 30, 2014) by the independent actuary – net reserves at \$14.7 million, a modest 0.4% year-over-year increase; and gross reserves, with \$18.0 million ceded to commercial insurers, declining 3.3% to \$32.7 million.

The net reserve estimates included \$2.7 million for WCRP's SIR, \$10.8 million for the "corridor" program retentions, \$0.1 million for WCRP's 10% quota-shared (upper layer) losses, and \$1.0 million for unallocated loss adjustment expenses (ULAE). For comparison, Py2004's net reserves totaled \$12.0 million but included only the Pool's

NOTES TO FINANCIAL STATEMENTS
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SIR (\$11.4 million) and ULAE (\$0.6 million) estimates. NOTE: The “corridor” programs began eight years ago with (occurrence) coverage maximums of \$0.5 million during the first three years, \$1.0 million during the next three years, and both \$1.0 million and \$2.0 million the past two years, and occurrence minimums remained throughout as the greater of the applicable (member’s) deductible or \$100,000.

Joint Self-Insurance Liability Program (“JSILP”):

The JSILP is the Pool’s original and predominant coverage. It consists of risk-shared (jointly purchased and/or jointly self-insured) and occurrence-based coverage for 3rd-party liability claims against the member counties. The JSILP includes coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury.

The county budgets an amount annually to cover the self-insured portion of claims and adjusting expenses. No reserve funds are maintained for this purpose, and no accruals are made for estimated settlement values for open litigation. Insurance premiums are paid by each fund having separate insurable interests; most claims not covered by insurance are paid by the Current Expense Fund out of the Non-Departmental budget.

Washington Counties Property Program (“WCPP”):

WCRP also provides administrative support for (1st-party) property coverages jointly-purchased through the insurance producer as member-by-member options from a consortium of higher-rated commercial carriers. All but one of WCRP’s 2013-14 membership participated, and the composite value of their covered properties totaled more than \$2.7 billion.

Other Coverages:

Several members utilize the producer (broker) retained by WCRP to secure other (specialty) insuring products. Examples include crime, special events/concessionaires, underground storage tanks and other environmental hazards, even airport, ferry or railroad operations, as well as public officials surety bonds. Additionally, the Board of Directors decided to jointly-purchase cyber risk and security coverage from a higher-rated commercial carrier beginning with the 2014-15 policy year.

For more information on the Washington Counties Risk Pool, please visit their website: <https://www.wcrp.info>

NOTES TO FINANCIAL STATEMENTS
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M. RESERVED FUND BALANCE: Funds as of December 31, 2014

<u>Fund #</u>	<u>Fund Description</u>	<u>Balance</u>	<u>Intended Usage</u>
101	Veteran's	\$ 68,963	Dedicated for indigent Veteran's Services
102	Road Fund	\$ 5,578,173	Restricted for Debt Services, Capital Projects
104	Mental Health	\$ 112,004	Restricted for mental health services
105	DD	\$ 55,597	Dedicated for Developmental Disabilities
106	County Drug	\$ 22,405	Restricted for Law Enforcement Drug Control
107	Alcohol / Drug	\$ 207,470	Restricted for Alcohol & Drug Abuse Services
108	Law Library	\$ 18,142	To provide law library services for public
110	Treasurer O&M	\$ 95,389	Treasurer's Operations & Maintenance fund
111	Probation	\$ 42,361	To provide services for probation clients
113	Becca Bill	\$ 24,077	Dedicated funds for truancy programs
114	Paths & Trails	\$ 90,720	Restricted funds for paths and trails
117	Infrastructure	\$ 825,968	Dedicated funds for capital projects
120	E-911	\$ 423,383	Restricted funds for the Dispatch Center
126	Stadium Tourism	\$ 163,765	Restricted funds for promotion of tourism
129	Crime Victim	\$ 2,299	Restricted funds for crime victims
132	Drug Task Force	\$ 550,279	Restricted for Drug Enforcement
134	Capital Projects	\$ 1,551,565	Restricted for Capital Projects
137	Title III Projects	\$ 87,189	Funds for search/rescue on forest land
140	Tourism Mkt	\$ 76,090	Ok Tourism Council & MV Sports Trails
141	Affordable Housing	\$ 9,656	Restricted for low income housing
142	County Homeless	\$ 296,771	Restricted funds for homeless housing
143	Therapeutic Court	\$ 229,836	Dedicated for drug court services
144	Reet/Revalv Fund	\$ 134,987	Restricted for electronic REET export to state
195	Ct. Improvement	\$ 122,494	Funds restricted for courts usage
402	Liberty Sewer	\$ 80,818	Proprietary, Sewer Enterprise Fund
405	Solid Waste	\$ 8,412,419	Proprietary, Landfill Enterprise Fund
406	Mazama WQPS	\$ 170,876	Proprietary, Sewer Enterprise Fund
407	Conconully Sewer	\$ 45,991	Proprietary, Sewer Enterprise Fund
408	Edelweiss Sewer	\$,,,,42,686	Proprietary, Sewer Enterprise Fund
410	Eastlake Utility	\$ 132,141	Proprietary Utility Construction Enterp. Fund
501	ER&R	\$ 2,512,968	Proprietary, Revolving Equipment Fund
504	M.A.R.C.	\$ 289,359	Internal Service Fund
701	Berg Bros Trust	\$ 263,301	Trust Fund - restricted

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

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

NOTES TO FINANCIAL STATEMENTS
 JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

NOTE 3 – INVESTMENTS

The county's investments are either insured, registered, or held by the county or its agent in the Okanogan County name.

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

<u>Type of Investment</u>	<u>County's own Investments</u>	<u>Investments held by Co. as an agent for other local governments, individuals or private organizations</u>	<u>Totals</u>
U.S. Gov. Securities	-	35,405,232	35,405,232.81
Tax Account	27,885.51	-	27,885.51
State Pool	1,005,690.20	-	1,005,690.20
Hospital #1 Registered Wts.	-	1,757,389.56	1,757,389.56
Hospital #3 Registered Wts.	-	1,471,154.62	1,471,154.62
Hospital #4 Registered Wts.	-	-	-
County Residual	-	1,894,767.19	1,894,767.19
Wa. Federal Bank	<u>200,220.52</u>	-	<u>200,220.52</u>
Total	\$ 1,233,796.23	\$ 40,528,544.18	\$41,762,340.41

NOTE 4: PROPERTY TAXES:

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property Tax Calendar

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

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

The county's regular levy for the year 2014 was 1.419496 per \$1,000 on an assessed valuation of \$3,953,463,186 for a total regular levy of \$5,611,924.

NOTES TO FINANCIAL STATEMENTS
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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 2013 was 1.248138 per \$1,000 on an assessed valuation of \$2,977,266,378 for a total road levy of \$3,716,040. This road levy for 2013 includes the Road Levy Shift to Current Expense for \$500,000, according to RCW 84.52.043.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays inter-fund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 1/1/2014	New Loans	Repayments	Balance 12/31/2014
		0.00	0.00	0.00	0.00
TOTAL:		0.00	0.00	0.00	0.00

No Interfund Loans and Advances in 2014

NOTE 6 Debt Service Requirements

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the Okanogan County and summarizes the Okanogan County's debt transactions for 2014. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	<u>GO BONDS</u>	<u>REVENUE DEBT</u>	<u>OTHER DEBT</u>	<u>TOTAL DEBT</u>
2014	835,378.65	0.00	0.00	835,378.65
2015	836,990.40	408,271.10	0.00	1,245,261.50
2016	815,997.51	309,349.74	0.00	1,125,347.25
2017	480,621.26	306,946.08	0.00	787,567.34
2018	334,443.76	304,542.42	0.00	638,986.18
2019-2023	1,701,225.04	1,486,657.08	0.00	3,187,882.12
2024-2028	423,568.76	1,259,588.70	0.00	1,683,157.46
2029-2033	372,137.52	1,162,484.59	0.00	1,534,622.11
2034-2036	0.00	671,170.35	0.00	671,170.35
TOTAL	5,800,362.90	5,909,010.06	0.00	11,709,372.96

NOTES TO FINANCIAL STATEMENTS
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NOTE 7: PENSION PLANS

Substantially, all county full-time and qualifying part time employees participate in one of the following statewide retirement government systems administered by the Washington 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:"Dept. of Retirement Systems

Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

Membership in this plan includes elected officials: state employees: employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employee's of local government. Participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan I members are eligible for retirement at any age after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with

NOTES TO FINANCIAL STATEMENTS
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25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to 65 receive reduced benefits. Plan 2 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Current justices or judges in PERS Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average financial

NOTES TO FINANCIAL STATEMENTS
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compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who choose to participate in JBM will accrue service credit at the higher multiplier beginning with the date of their election, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA) and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate will; continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM Program.

Justices and judges who are newly elected or appointed to judicial service will: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

NOTES TO FINANCIAL STATEMENTS
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The required contribution rates expressed as a percentage of current years covered payroll, as of December 31, 2014 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%**
Employee	6.00%	4.92%	7.50%***

*The employer rates include the employer administrative expense fee currently set at 0.18%.

**Plan 3 defined benefit portion only.

***Minimum rate.

Both Okanogan County and the employees made the required contributions.

The county required contributions for the years ended December 31, 2014 were:

<u>Plan</u>	<u>Employer Contribution</u>
PERS 1	\$ 43,727.53
PERS 2/3	\$ 537,238.06
PSERS	\$ 49,478.24
LEOFF 1	\$ -
LEOFF 2	\$ 110,229.20

Law Enforcement Officer's & Fire Fighters (LEOFF)

Plan Description

LEOFF is a cost sharing multiple-employer retirement system comprised of two separate defined plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. In addition, effective July 24, 2005, current members of PERS who are emergency medical technicians can elect to become members of LEOFF Plan 2.

NOTES TO FINANCIAL STATEMENTS
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Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through the state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

Plan 1 members are vested after completion of five years of eligible service. Plan 1 members are eligible to retire with 5 years of service at age 50. The benefit per year of service calculated as a percent of final average salary is as follows:

<u>Term of Service</u>	<u>Percent of Final Average</u>
20+	2.0%
10 - 20	1.5%
5 - 10	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 members are vested after the completion of five years of eligible service and eligible to retire at age 50 with 20 years of service, or at the age 53 with five years of service, with an allowance of two percent of the final average salary per year of service. The final Plan 2 retirements prior to age 53 are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employee contribute zero percent as long as the plan remains fully funded. Employer and employee rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level

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required by state law. The Legislature by means of a special funding arrangement appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

We have no LEOFF Plan 1 employee's working for Okanogan County at this time. The required contribution rates expressed as a percentage of current years covered payroll, as of December 31, 2014 were as follows:

	<u>LEOFF Plan I</u>	<u>LEOFF Plan II</u>
Employer	N/A	5.23%
Employee	N/A	8.41%

Both Okanogan County and the employees made the required contributions. The County's required contributions for the years ended December 31, 2014 were:

	LEOFF PLAN I	LEOFF PLAN II
2014	\$ N/A	\$110,229.20

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met a least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include; State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and;

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- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have a primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 received reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle consumer Price Index), capped at three percent annually.

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2014, were as follows:

<u>PSERS Plan 2</u>	
Employer*	10.54%
Employee	6.36%

*The employer rate includes an employer administrative expense fee of .18%. Both Okanogan County and the employees made the required contributions. The County's required contributions for the year ended December 31, 2014 was \$49,478.24.

NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

Other Retirement Systems – Volunteer Fire Fighters’ Relief and Pension Fund

The Volunteer Fire Fighters’ Relief and Pension Fund System is a cost-sharing multiple-employer retirement system which was created by the Legislature in 1945 under Chapter 41.16 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through member contributions of \$30 per year; employer contributions of \$30 per year; and 40 percent of the Fire Insurance Premium Tax. Members do not earn interest on their contributions; however, they may elect to withdraw their contributions upon termination.

NOTE 8: OTHER DISCLOSURES

A. Accounting and Reporting Changes Per County Auditor

The managerial funds “rolled up” into other funds are as follows:”

Current Expense Fund #001 includes;

#130 WSU Meeting Fund
#135 DSHS Timber Pass-through
#136 Medical Insurance Reserve
#196 Equipment Reserve Fund
#197 Vehicle Reserve Fund
#198 Current Expense Reserve Fund

Road Fund #102 includes;

#116 County Flood Control
#122 Sewer and Water

Solid Waste #405 Fund includes;

#123 Solid Waste Closure

B. Extraordinary Items

The County in May 2013 was granted a Loan Payment Deferral on the Principal and Interest for the 2013 and 2014 years on the Public Works Trust Fund Loan (Loan # PW-06-962-032 & PW-04-691-PRE-127) for the construction of public infrastructure including sewer and sewer related facilities on the east side of Lake Osoyoos.

C. Significant Loans Taken

No significant loans taken in 2014.

D. LEOFF

The LEOFF1 liability is not a new liability in the sense of taking on new debt, but rather the first year that this liability has been estimated and reported.

Okanogan 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	Refinancing 1998 LTGO Bonds	12/1/2017	520,000	-	125,000	395,000
251.11	Perm 025-3 Conconully Sewer	12/1/2015	15,205	-	10,135	5,070
251.11	Advance Refunding 2003 LTGO	12/1/2023	2,050,000	-	175,000	1,875,000
251.11	LTGO Shop 1&2, Fire Main, Shop 4	1/1/2016	980,000	-	315,000	665,000
251.11	QECB 2013	12/1/2033	1,115,000	-	40,000	1,075,000
259.11	Compensated Absences-County		786,101	16,463	-	802,564
259.11	Compensated Absences-Public Works		279,828	56,250	-	336,078
263.11	County Claims & Judgments		-	-	-	-
263.93	LEOFF 1 Retirees		-	1,932,793	-	1,932,793
	Total General Obligations:		5,746,134	2,005,506	665,135	7,086,505
Revenue Obligations						
252.11	PW-04-691-PRE-127 Eastside Osoyoos Lk Sewer Utility	6/1/2024	420,596	-	-	420,596
252.11	PW-06-962-032 Eastside Osoyoos Lk Sewer Utility	6/1/2026	4,825,407	-	-	4,825,407
259.12	Compensated Absences-Solid Waste		41,131	-	1,231	39,900
263.22	Public Works Landfills Closure Reserve		3,571,215	306,014	-	3,877,229
263.22	Public Works Landfills Post Closure Reserve		1,495,420	112,406	-	1,607,826
	Total Revenue Obligations:		10,353,769	418,420	1,231	10,770,958
	Total Liabilities:		16,099,903	2,423,926	666,366	17,857,463

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

						Expenditures		
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note	
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture	National School Lunch Program	10.555	159859	-	28,942	28,942		
Total Child Nutrition Cluster:				-	28,942	28,942		
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NA	-	757,950	757,950		
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NA	-	85,966	85,966		
Forest Service, Department Of Agriculture (via USFS)	Schools and Roads - Grants to States	10.665	NA	16	-	16		
Total Forest Service Schools and Roads Cluster:				16	843,917	843,933		
Forest Service, Department Of Agriculture	National Forest Foundation	10.682	2011SFE-05/WF-601	-	3,711	3,711		
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Upper Columbia Salmon Recovery Board)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	09-1588N	5,048	-	5,048		
CDBG - State-Administered CDBG Cluster								
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA Dept. of CTED)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14-65400-011	82,311	-	82,311	3a	
Total CDBG - State-Administered CDBG Cluster:				82,311	-	82,311		
Bureau Of Indian Affairs, Department Of The Interior (via Colville Confederated Tribe-BIA)	Road Maintenance_Indian Roads	15.033	NA	8,440	-	8,440		
Bureau Of Indian Affairs, Department Of The Interior (via Colville Confederated Tribe-BIA)	Road Maintenance_Indian Roads	15.033	NA	40,512	-	40,512		
Bureau Of Indian Affairs, Department Of The Interior (via Colville Confederated Tribe-BIA)	Road Maintenance_Indian Roads	15.033	NA	24,249	-	24,249		

The accompanying notes are an integral part of this schedule.

**Okanogan 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	
			Total CFDA 15.033:	73,200	-	73,200	
Bureau Of Land Management, Department Of The Interior (via Colville Confederated Tribe-BLM)	Invasive and Noxious Plant Management	15.230	NA	3,100	-	3,100	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA State DSHS)	Juvenile Accountability Block Grants	16.523	1362- 84192/1463- 17291	12,788	-	12,788	
Violence Against Women Office, Department Of Justice (via Support Center)	Violence Against Women Formula Grants	16.588	F12-31103-027	4,739	-	4,739	
Violence Against Women Office, Department Of Justice (via Dept of Commerce)	Violence Against Women Formula Grants	16.588	F12-31103-027	17,053	-	17,053	
			Total CFDA 16.588:	21,792	-	21,792	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	NA	-	9,434	9,434	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2011BUBX1105 9128	-	4,119	4,119	
	JAG Program Cluster						
Bureau Of Justice Assistance, Department Of Justice (via CTED)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-012	73,451	-	73,451	
Bureau Of Justice Assistance, Department Of Justice (via CTED)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-011	66,749	-	66,749	
	Highway Planning and Construction Cluster						
			Total JAG Program Cluster:	140,200	-	140,200	

The accompanying notes are an integral part of this schedule.

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

				Expenditures			
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT Federal Highway Commission)	Highway Planning and Construction	20.205	LA 7357, LA7693, LA8061, LA8073, LA7471, LA7473, LA7928, LA7110, LA6732, LA7570, LA6967	887,526	-	887,526	
Total Highway Planning and Construction Cluster:				887,526	-	887,526	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	688	-	688	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	1,755	-	1,755	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	AL14-06	21,488	-	21,488	
Total CFDA 20.600:				23,932	-	23,932	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Dept of Transportation)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	NA	1,702	-	1,702	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Dept of Transportation)	Occupant Protection Incentive Grants	20.602	Occupant protection	988	-	988	
Total Highway Safety Cluster:				26,622	-	26,622	

The accompanying notes are an integral part of this schedule.

**Okanogan 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	
Pipeline And Hazardous Materials Safety Administration, Department Of Transportation (via WA State Military Dept.)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E14-201	4,527	-	4,527	
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	NA	37,513	-	37,513	
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	2110-80580	165,223	-	165,223	
Total CFDA 93.563:				202,736	-	202,736	
Department Of Homeland Security (via FEMA-CARLTON COMPLEX)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	CLB006A	262,701	-	262,701	
Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E15-139	9,745	-	9,745	
Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E14-114	10,206	-	10,206	
Total CFDA 97.042:				19,951	-	19,951	
Department Of Homeland Security (via Grant County)	Homeland Security Grant Program	97.067	E13-149	24,445	-	24,445	
Department Of Homeland Security (via Grant County)	Homeland Security Grant Program	97.067	E12-183	17,530	-	17,530	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15-011	12,579	-	12,579	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E12-283	34,315	-	34,315	
Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E13-209	115,527	-	115,527	3b
Total CFDA 97.067:				204,397	-	204,397	

The accompanying notes are an integral part of this schedule.

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

	Expenditures				Total	Note
	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number		
Total Federal Awards Expended:				1,946,913	890,122	2,837,037

The accompanying notes are an integral part of this schedule.

OKANOGAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR 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. Okanogan County recognizes its revenue 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.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - AMOUNTS AWARDED TO SUBRECIPIENTS

- a. Included in the total amount expended for this program is \$77,55.95 that was passed through to a subrecipient that administered its own project.
- b. Included in the total amount expended for this program is \$54,174.54 that was passed through to a subrecipient that administered its own project.

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

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

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Okanogan County.

Finding ref number: 2014-001	Finding caption: The County’s internal controls over accounting and financial statement preparation are inadequate to ensure accurate reporting.
Name, address, and telephone of auditee contact person: Laurie Thomas P.O. Box 1010 Okanogan, WA 98840 (509) 422-7240	
Corrective action the auditee plans to take in response to the finding: <i>The current Finance Manager, responsible for the preparation of the County financial statements, is knowledgeable and aware of the reporting requirements relating to classification of fund balances as reserved or unreserved. We have also been instructed on the State Auditor’s requirements for reporting Federal Emergency Management Agency dollars, and have implemented the processes for any money the County may receive from the catastrophic 2015 wildfires.</i> <i>The County Auditor’s long proven processes for monthly reconciliation have been re-established, along with the customary review of financial statements and schedules. A practice to review Journal Entries has also been put into effect.</i>	
Anticipated date to complete the corrective action: Corrective actions were taken immediately upon discovery of the problem in June 2015. With the review of the completed 2015 financial report on April 19, 2016, the County is confident the corrective actions are complete.	

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	Adam Wilson Adam.Wilson@sao.wa.gov (360) 902-0367
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov