



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Garfield County

For the period January 1, 2018 through December 31, 2018

Published December 26, 2019

Report No. 1025353





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

December 26, 2019

Board of Commissioners
Garfield County
Pomeroy, Washington

Report on Financial Statements

Please find attached our report on Garfield County's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2018-001 The County's internal controls over accounting and financial statement preparation were inadequate to ensure accurate and complete financial reporting.

Background

County management is responsible for designing, implementing and maintaining internal controls to provide reasonable assurance that financial reports are accurate and reliable. County Commissioners, elected officials, County management, state and federal agencies, and the public rely on financial report information to make decisions.

The County prepares its financial statements, notes to the financial statements and supplementary schedules in accordance with the cash basis of accounting, under the Budgeting, Accounting and Reporting System (BARS) Manual.

Government Auditing Standards requires the auditor to communicate significant deficiencies in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

During our audit, we noted the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency and could impair the County's ability to produce reliable financial statements:

- County personnel responsible for financial reporting lacked a process to effectively review financial statements, notes and schedules to ensure they detect and correct errors before submitting the annual financial report for audit.
- The County lacked effective procedures to ensure financial activities, including cash balances, transfers, interfund activities, revenues and expenditures, were accounted for appropriately in the financial statements following the BARS Manual.
- County personnel did not compare the financial statement balances to the reconciled bank balances for agreement.

Cause of Condition

County staff responsible for preparing the financial statements and performing monthly bank reconciliations did not attend BARS trainings to understand financial reporting requirements. In addition, they did not dedicate the necessary resources

to prepare the financial statements and notes in accordance with the BARS Manual and agree financial statement balances to the reconciled bank balances.

Effect of Condition

The County’s financial reports contained errors that management did not detect. Specifically, the County:

- Incorrectly classified four special revenue funds as fiduciary funds, resulting in the following errors (negative amounts are shown in parentheses):

	Fund Resources and Uses Arising from Cash Transactions (understatement)	Fiduciary Fund Resources and Uses Arising from Cash Transactions (overstatement)
Beginning cash	\$ 367,203	\$ (367,203)
Revenues	330,757	(330,757)
Expenditures	147,459	(147,459)
Other increases	1,137	(1,137)
Ending cash	\$ 551,638	\$ (551,638)

Further, the County reported five custodial funds as investment trust funds. The County reports both fund types on the Fiduciary Fund Resources and Uses Arising from Cash Transactions statement.

- Incorrectly classified the Solid Waste Management Fund as an enterprise fund. The fund does not meet the BARS Manual definition of an enterprise fund and should be rolled into another Public Works Department fund for reporting purposes.
- Understated beginning cash and investment balances by \$152,197
- Understated ending cash and investments by an amount exceeding the auditor’s expectation by \$8,651
- Did not eliminate intrafund activity for custodial funds, overstating additions and deductions by \$7,131,359
- Did not accurately report transfers, resulting in transfers in exceeding transfers out by \$146,934
- Reported refunds of expenditures as revenues instead of reducing the original expenditures. Because this is a County-wide process, the amount of the error is unknown but could result in a likely overstatement of revenues and expenditures. This was not corrected by management.

Except as noted above, the County corrected these errors. We identified other, less significant errors in the financial statements and notes to the financial statements, which management corrected.

Recommendations

We recommend the County:

- Ensure all staff responsible for preparing the financial statements and notes have the necessary resources and training to prepare accurate and complete financial statements and notes
- Establish and follow internal controls to ensure its financial statements and notes are accurate, complete and prepared following the BARS Manual
- Compare the financial statement balances to the reconciled bank balances and resolve any variances

County's Response

Garfield County personnel responsible for financial reporting will refine processes to review financial statements, notes and schedules to ensure they are prepared in accordance with the BARS Manual. Personnel will be informed of available BARS training classes and funding will be provided for this training. Financial statement balances will be reconciled to bank balances before submission. All errors noted in the report have been corrected except the last item and we anticipate resolving this item before the 2019 financial statements are prepared and submitted.

Auditor's Remarks

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

The Budgeting, Accounting, and Reporting System (BARS) Manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

The *Budgeting, Accounting, and Reporting System* (BARS) manual, 3.1.7, Fund Types and Accounting Principles

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

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

**Garfield County
January 1, 2018 through December 31, 2018**

Board of Commissioners
Garfield County
Pomeroy, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Garfield County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated December 18, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's

internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 2018-001, that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

COUNTY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy
State Auditor
Olympia, WA

December 18, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Garfield County January 1, 2018 through December 31, 2018

Board of Commissioners
Garfield County
Pomeroy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Garfield County, for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of Garfield County, and its changes in cash and investments, for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Garfield County, as of December 31, 2018, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 December 18, 2019 on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

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

Pat McCarthy

State Auditor

Olympia, WA

December 18, 2019

FINANCIAL SECTION

Garfield County January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018

Garfield County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 Current Expense	101 County Road SWM	102 Fair Fund Ag Museum
Beginning Cash and Investments					
30810	Reserved	2,956,473	277,741	-	230,391
30880	Unreserved	6,381,044	3,270,967	1,066,552	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,877,423	1,077,783	754,321	-
320	Licenses and Permits	63,884	63,884	-	-
330	Intergovernmental Revenues	4,724,757	1,256,023	2,186,659	30,210
340	Charges for Goods and Services	1,284,544	650,291	97,120	14,290
350	Fines and Penalties	18,771	18,771	-	-
360	Miscellaneous Revenues	1,048,283	239,868	2,219	52,587
Total Revenues:		9,017,662	3,306,620	3,040,319	97,087
Expenditures					
510	General Government	1,997,429	1,742,663	66,395	11
520	Public Safety	1,538,654	1,357,778	-	-
530	Utilities	136,043	31,982	104,061	-
540	Transportation	3,000,739	-	2,261,704	-
550	Natural and Economic Environment	92,914	92,570	-	-
560	Social Services	281,681	115,603	-	-
570	Culture and Recreation	191,306	114,647	-	76,659
Total Expenditures:		7,238,766	3,455,243	2,432,160	76,670
Excess (Deficiency) Revenues over Expenditures:		1,778,896	(148,623)	608,159	20,417
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,023,583	832,059	50,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	143,458	96,992	17,951	558
381, 395, 398	Other Resources	87,773	44,343	20,000	-
Total Other Increases in Fund Resources:		1,254,814	973,394	87,951	558
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,059,677	151,357	643,495	24,525
591-593, 599	Debt Service	3,052	3,052	-	-
597	Transfers-Out	1,023,583	50,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	30,573	1,883	24,243	-
581	Other Uses	62,602	20,000	-	42,602
Total Other Decreases in Fund Resources:		2,179,487	226,292	667,738	67,127
Increase (Decrease) in Cash and Investments:		854,223	598,479	28,372	(46,152)
Ending Cash and Investments					
5081000	Reserved	2,951,464	268,428	-	184,239
5088000	Unreserved	7,240,457	3,878,940	1,094,924	-
Total Ending Cash and Investments		10,191,921	4,147,368	1,094,924	184,239

The accompanying notes are an integral part of this statement.

Garfield County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		104 Mental Health	106 Veterans Relief	110 Health Ins Savings Acct	113 Substance Abuse
Beginning Cash and Investments					
30810	Reserved	139,887	12,812	-	24,859
30880	Unreserved	-	-	264,581	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	15,815	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	119,533
340	Charges for Goods and Services	-	-	326,400	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	205	-	-
Total Revenues:		15,815	205	326,400	119,533
Expenditures					
510	General Government	-	-	147,459	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	344	-	-
560	Social Services	15,938	-	-	143,608
570	Culture and Recreation	-	-	-	-
Total Expenditures:		15,938	344	147,459	143,608
Excess (Deficiency) Revenues over Expenditures:		(123)	(139)	178,941	(24,075)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	1,137	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	1,137	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		(123)	(139)	180,078	(24,075)
Ending Cash and Investments					
5081000	Reserved	139,764	12,673	-	784
5088000	Unreserved	-	-	444,659	-
Total Ending Cash and Investments		139,764	12,673	444,659	784

Garfield County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		114 Paths and Trails	119 Developmental Disab	123 IRPCR	124 DUI Fund
Beginning Cash and Investments					
30810	Reserved	34,079	1,443	-	62,169
30880	Unreserved	-	-	19,457	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	6,696	6,003	-	11,681
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		6,696	6,003	-	11,681
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	1,046
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	6,532	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	6,532	-	1,046
Excess (Deficiency) Revenues over Expenditures:		6,696	(529)	-	10,635
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		6,696	(529)	-	10,635
Ending Cash and Investments					
5081000	Reserved	40,775	914	-	72,804
5088000	Unreserved	-	-	19,457	-
Total Ending Cash and Investments		40,775	914	19,457	72,804

Garfield County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		126 Historic Document	127 E911	130 Criminal Justice	133 Trial Court Improve
Beginning Cash and Investments					
30810	Reserved	284,881	215,444	1,643,613	29,154
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	19,397	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	42,238	542,209	517,706	5,799
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	25	-	-
Total Revenues:		42,238	561,631	517,706	5,799
Expenditures					
510	General Government	40,901	-	-	-
520	Public Safety	-	179,830	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		40,901	179,830	-	-
Excess (Deficiency) Revenues over Expenditures:		1,337	381,801	517,706	5,799
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	357	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	357	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	16,950	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	432,059	400,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		16,950	432,059	400,000	-
Increase (Decrease) in Cash and Investments:		(15,613)	(49,901)	117,706	5,799
Ending Cash and Investments					
5081000	Reserved	269,268	165,543	1,761,319	34,953
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		269,268	165,543	1,761,319	34,953

Garfield County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		134 Crim. Victims Witness	135 Helen Shepherd Lib.	301 Capital Improvement	501 Equip Rental & Revol
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	72,226	10,939	996,133	599,513
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	10,107	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	4,228	-	-	192,215
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	129	-	579,016
Total Revenues:		4,228	129	10,107	771,231
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	598,056
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	598,056
Excess (Deficiency) Revenues over Expenditures:		4,228	129	10,107	173,175
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	26,159
381, 395, 398	Other Resources	-	-	-	9,000
Total Other Increases in Fund Resources:		-	-	-	35,159
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	177,478
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	141,524
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	4,492
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	323,494
Increase (Decrease) in Cash and Investments:		4,228	129	10,107	(115,160)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	76,454	11,068	1,006,240	484,353
Total Ending Cash and Investments		76,454	11,068	1,006,240	484,353

Garfield County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		502 ERR CTA	503 ERR Computer	504 ERR Sheriff
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	29,198	51,478	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	27,049	53,185	94,000
Total Revenues:		27,049	53,185	94,000
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	23,475	47,893	69,611
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		23,475	47,893	69,611
Excess (Deficiency) Revenues over Expenditures:		3,574	5,292	24,389
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	141,524
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	304	-	-
381, 395, 398	Other Resources	4,801	-	9,629
Total Other Increases in Fund Resources:		5,105	-	151,153
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	9,361	36,511
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	276	(297)	(24)
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		276	9,064	36,487
Increase (Decrease) in Cash and Investments:		8,403	(3,772)	139,055
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	37,601	47,706	139,055
Total Ending Cash and Investments		37,601	47,706	139,055

Garfield County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	Agency
308	Beginning Cash and Investments	7,386,170	7,386,170
388 & 588	Prior Period Adjustment, Net	-	-
310-390	Additions	19,564,555	19,564,555
510-590	Deductions	20,706,954	20,706,954
	Net Increase (Decrease) in Cash and Investments:	(1,142,399)	(1,142,399)
508	Ending Cash and Investments	6,243,771	6,243,771

The accompanying notes are an integral part of this statement.

GARFIELD COUNTY, WASHINGTON
ALL FUNDS
NOTES TO FINANCIAL STATEMENTS
January 1, 2018 to December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Garfield County was incorporated on November 29, 1881 and operates under the laws of the state of Washington applicable to a second class county with a commissioner form of government. The county is a general purpose government and provides general administrative services, public safety, road improvement, judicial administration, health and social services.

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

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

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

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

b. Basis of Accounting and Measurement Focus

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

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

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

c. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Commissioner	268389	268855	-466
Superior Court	89344	58993	30351
Clerk	120832	113897	6935
Emergency Management	94200	20029	74171
District Court	193865	181601	12264
Treasurer	177077	164819	12258
Auditor	212875	203420	9455
Assessor	165967	151794	14173
Board of Equalization	3876	3536	340
Election	25198	18298	6900
Prosecuting Attorney	335636	261125	74511
Courthouse	178668	148097	30571
Computer	70100	54620	15480
Copy Machine	4000	1361	2639
Sheriff	904773	811470	93303
Civil Service	300	0	300
Jail	215388	149823	65565
Dispatcher	461288	434938	26349
Building Inspector	7650	7518	132
Voluntary Stewardship	128000	69118	58882
Service Delivery	103737	71146	32591
Planning	11500	15934	-4434
Agent	80608	74117	6491
Library	66052	52048	14004
Miscellaneous	492878	116927	375951
CE Total	4412200	3453484	958716
County Road	3291714	2951466	340248
Fair Fund	91941	126988	-35047
Ag. Museum	153100	16809	136291
Mental Health	154820	15938	138882
Veterans Relief	12836	344	12493
Treasurer's Revolving	0	0	0
Noxious Weed Board *	33231	27982	5249
Employees CAF Trust *	84000	78367	5633
Substance Abuse	143700	143608	92
Paths and Trails	39520	0	39520
Law Library *	7850	2489	5361
LFO Collections *	3700	0	3700
Affordable Housing *	33181	11000	22181
Burn Permits *	80000	68693	11307
Developmental Disab.	8100	6532	1568
County Tech Fee REET *	93707	12680	81027
City County Drug *	9346	950	8396
DUI	74168	1046	73122
Auditor O&M	86643	0	86643
Historic Doc. Pres.	349300	57851	291449
E911	844910	611889	233021

Criminal Justice	2103000	400000	1703000
Trial Court Improvement	38800	0	38800
MH Building Maint. *	28000	957	27043
Capital Improvements	1003500	0	1003500
Solid Waste Mgt.	153950	148432	5518
ER&R General	766782	780026	-13244
ER&R CTA	27520	23751	3769
ER&R Computer	70700	56956	13744
ER&R Sheriff	136629	106098	30531
Health Ins	250000	147459	102541
Criminal Victims Witness	73450	0	73450
HS Library	3400	0	3400
* These funds roll up and are presented as part of the Current Expense Fund			

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

d. Cash

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

e. Deposits

It is the County's policy to invest all temporary cash surpluses as per the County Investment Policy. The County allocates the interest and other income earned on the cash surpluses into the General Fund. The ending residual cash balance that is invested by the County is \$9,212,429.32. All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the County or its agent in the Government's name.

f. Investments

See Investment Note 3.

g. Capital Assets

Capital assets are long-lived assets of the county and are recorded as expenditures when purchased. During the budget process capital purchase requests are identified by the departments and then reviewed and approved for purchase by the County Commissioners as a separate line item within the appropriate budget. Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 5 years.

h. Compensated Absences

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

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

i. Long Term Debt

See Debt Service Requirements Note 6

j. Other Financing Sources or Uses

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

k. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Garfield County Commissioners. When expenditures that meet restrictions are incurred, the county intends to use reserved resources first before using unreserved amounts. Reservations of Ending Cash and Investments total \$2,951,464 and consist of funds budgeted for specific projects or commitments as listed below:

Current Expense: Ending reserved total of \$268,428 is made up of the following:

- \$ 12,235 - Revolving Accounts
- \$ 5,219 - Noxious Weed Board Activities
- \$ 73 - Employees Cafeteria Trust – Employee Funds held for Section 125 payments
- \$ 2,816 - Law Library book account
- \$ 4,392 – LFO set up by RCW for Child Support Activities
- \$ 24,513 – Affordable Housing Activities
- \$ 14,060 – Burn Permits set up per agreement with Soil Conservation
- \$ 81,143 – REET funding set up by RCW
- \$ 8,897 – City County Drug Fund – drug forfeiture activities restricted expenditures
- \$ 86,892 – Auditor O&M – Reserved funds for capital purchases only
- \$ 28,188 – Mental Health Building Maint. – Capital funds set aside for Building Maint.

Fair Fund and Fair Fund Ag Museum: \$184,239 - These funds are all either State and local funds given for the specific purpose of maintaining the Garfield County Fairgrounds and running the annual Fair or private donations for the specific purpose of creating and maintaining the museum at the County Fairgrounds.

Mental Health: \$139,764 State and Federal funds for Mental Health Services

Veterans Relief: \$12,673 Veteran Services set up by RCW

Substance Abuse: \$784 State and Federal funds for Substance Abuse Prevention

Paths and Trails: \$40,775 Was set up by RCW to fund the formation of Paths and Trails

Developmental Disabilities: \$914 State and Federal funds for DDD services

DUI Fund: \$72,804 Was set up by RCW from court fines for specific purposes

Historic Document Preservation: \$269,268 State funds for replacement of equipment specific to preservation of Historic Documents

E911: \$165,543 State Funds specifically used for the upgrade and maintenance of the E911 system in Garfield County

Criminal Justice: \$1,761,319 State funds for the specific purpose of funding Criminal Justice needs

Trial Court Improvement: \$34,953 Court fines specifically set up for Court Improvement needs

1. Risk Management

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2018, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2018, Garfield County selects a per-occurrence deductible of \$10,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2017-18, the "corridor" increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third

layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2017-18, Garfield County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. The Board of Directors generally meets three-times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing, approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

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

During 2017-18, the WCRP's assets increased slightly to \$51.5 million while its liabilities increased slightly to \$31.5 million. The Pool's net position increased slightly from \$18.1 million to \$19.8 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The

Pool's reassessments receivable balance as of December 31, 2018 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

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

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

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions. One budget exceeded legal appropriations under the county's budget.

ER&R General \$ 13,244-

(Reason – Payment of a voucher late in billing cycle – too late for Supplemental Budget, funds were available in cash)

NOTE 3 - INVESTMENTS

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

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

Investments by type at December 31, 2018 are as follows:

Type of Investment	Garfield County's own investments	Investments held by Garfield County as an agent for other local governments, individual or private organizations.	Total
CO RESID L.G.I.P.	\$ 8,183,344.55	\$ 1,390,468.17	\$ 9,573,812.72
CO RESID TIME VALUE BOND	\$ 995,160.44		\$ 995,160.44
OTHER L.G.I.P	\$ 33,924.33	\$ 4,846,276.36	\$ 4,880,200.69
Total	\$ 9,212,429.32	\$ 6,236,744.53	\$ 15,449,173.85

Local Government Investment Pool (LGIP), Municipal Investments, and Bank-Invested Programs are a combination of County and Agent-held monies. The County invests temporary cash surplus and retains the interest earned in the County's Current Expense/General Fund. Investments held for local governments,

individuals, or private organizations receive the interest income generated from their investments as per County Investment Policy.

NOTE 4 - PROPERTY TAX

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

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

The county's regular levy for the year 2018 was \$1.173162998943 per \$1,000 on an assessed valuation of \$632,658,754 for a total regular levy of \$742,211.84. The County also did a Road Levy Shift for 2018 in the amount of \$.126450475069 on an assessed valuation of \$632,658,754 for a one year levy shift of \$80,000.00.

The county's Mental Health levy for the year 2018 was \$.025 per \$1,000 on an assessed valuation of \$632,658,754 for a total mental health levy of \$15,816.47.

The county is also authorized to levy up to \$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 2018 was \$1.342067131782 per \$1,000 on an assessed valuation of \$562,496,277 for a total road levy of \$754,924.64.

The County elected to not levy for Veterans Relief.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2018:

Borrowing Fund	Lending Fund	Balance 1/1/2018	New Loans	Repayments	Balance 12/31/2018
102 – FF	001 – CE	\$ 89,000	\$	\$ 85,000	\$ 4,000
104 – MH	001 – CE	\$ 12,037	\$	\$	\$ 12,037
195–MH Maint	001 – CE	\$ 1,000	\$	\$	\$ 1,000
127 – E911	001 – CE	\$ 7,100	\$	\$	\$ 7,100
401 – SWM	001 – CE	\$ 1,200	\$ 20000	\$	\$ 21,200
628 – CTA	001 – CE	\$ 5,000	\$	\$	\$ 5,000
	Totals	\$ 115,337	\$ 20,000	\$ 85,000	\$ 50,337

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the County and summarizes the County's debt transactions for year ended December 31, 2018. The debt service requirements for County Leases are as follows:

Year	Principle	Interest	Total
2018	\$ 64,025	\$ 22,757	\$ 86,782
2019	\$ 66,095	\$ 20,687	\$ 86,782
2020	\$ 68,232	\$ 18,550	\$ 86,782
2021	\$ 460,438	\$ 16,344	\$ 476,782
2022	\$ 24,056	\$ 1,586	\$ 25,642
2023	\$ 24,837	\$ 806	\$ 25,643

NOTE 7 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

- Public Employees Retirement System (PERS)
- Law Enforcement Officers and Fire Fighters (LEOFF)

The State Legislature established, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

At June 30, 2018, the County's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	ALLOCATION %	LIABILITY (Asset)
PERS 1	.016072 %	\$ 717,781
PERS 2 / 3	.020530 %	\$ 350,531
LEOFF 1	.000915 %	\$ (16,612)
LEOFF 2	.012055 %	\$ (244,743)

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

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

NOTE 8 – PRIOR PERIOD ADJUSTMENTS

The County had no Prior Period Adjustments.

NOTE 9 - OTHER DISCLOSURES

The Board of Garfield County Commissioners also sit on the five member Public Health District Board (PHD) along with two residents from the community. The PHD is audited on their own as a junior taxing district. Garfield County provides funds in the amount of \$32,500 annually to the Public Health District for the purpose of providing Public Health Services as per an on-going verbal agreement with the district.

The Garfield County Transportation Authority (Garfield CTA) was created on November 7, 2016 under Resolution No. 14113, per RCW 36.57.020. The membership for the board of the CTA consists of the three County Commissioners and the Mayor of the City of Pomeroy. The Garfield CTA is audited on their own as a junior taxing district.

The Commissioners loaned \$85,000 to Fund #102 Fair Fund from Fund #001 Current Expense in 2017 with the intent that the loan would be paid back when the Fair Fund had the funds available. The Board realized at the end of 2018 that the Fair Fund would never have enough fund balance to repay the whole loan plus interest. Therefore, the Board called the loan for payment in the amount of \$42,602.15 with no interest and they converted the remainder of the loan in the amount of \$42,397.85 to Fair Fund Operating Funds as a capital contribution from Current Expense under Resolution #2018-17.

During 2018 the County set up within the Equipment Rental and Revolving Fund, four separate operating funds that each track and are accountable for their own Beginning and Ending Fund balances plus revenue and expenditures. Therefore, Fund 501 as reported in 2017 is now reported as four separate funds: #501 ERR General, #502 ERR CTA, #503 ERR Computer and #504 ERR Sheriff.

Garfield County
Schedule of Liabilities
For the Year Ended December 31, 2018

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Countywide Compensated Absences		115,332	7,684	-	123,016
263.52	Lease Purchase E 251	1/25/2021	112,116	-	26,701	85,415
263.52	Lease Purchase E120	4/12/2021	228,888	-	8,076	220,812
263.52	Lease Purchase E121	4/12/2021	228,888	-	8,076	220,812
263.52	Lease Purchase E252	8/15/2023	137,791	-	21,172	116,619
264.30	Pension / GASB 68		1,534,937	-	466,625	1,068,312
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,357,952	7,684	530,650	1,834,986
Total Liabilities:			2,357,952	7,684	530,650	1,834,986

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