



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements and Federal Single Audit Report

## Douglas County

For the period January 1, 2021 through December 31, 2021

*Published February 16, 2023*

Report No. 1032055



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

February 16, 2023

Board of Commissioners  
Douglas County  
East Wenatchee, Washington

**Report on Financial Statements and Federal Single Audit**

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

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Summary Schedule of Prior Audit Findings .....	12
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.....	14
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	17
Independent Auditor's Report on the Financial Statements .....	21
Financial Section.....	25
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	63
About the State Auditor's Office.....	65

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Douglas County January 1, 2021 through December 31, 2021

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audits of Douglas County are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the County’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

We issued a qualified opinion on the County’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The County did not qualify as a low-risk auditee under the Uniform Guidance.

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See Findings 2021-001 and 2021-002.

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## Douglas County January 1, 2021 through December 31, 2021

**2021-001** The County did not have adequate internal controls to ensure it used Coronavirus State and Local Fiscal Recovery Funds program funds for allowable purposes and for costs incurred within the period of performance.

<b>CFDA Number and Title:</b>	21.027, COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
<b>Federal Grantor Name:</b>	U.S. Department of the Treasury
<b>Federal Award/Contract Number:</b>	SLFRP2214
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$276,530

### *Description of Condition*

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic’s negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2021, the County spent \$1,040,917 in program funds for the provision of government services.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls. Recipients are also required to retain documentation for auditing purposes.

Federal regulations require recipients to only charge federal awards for expenditures that were incurred within the designated period of performance. The U.S. Department of the Treasury specified that the period of performance for the

SLFRF program was March 3, 2021, through December 31, 2024. Recipients may not charge any expenditures incurred before March 3, 2021, to the SLFRF program. Any costs charged outside of the period of performance would be unallowable.

Our audit found the County did not have internal controls effective to ensure it complied with requirements to use the SLFRF funds for allowable purposes and for costs incurred within the period of performance.

We consider these deficiencies in internal controls to be material weaknesses that led to material noncompliance.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

County staff's review of the costs charged to the program was not sufficiently detailed for detecting costs that were incurred before the period of performance.

### ***Effect of Condition and Questioned Costs***

The County charged \$276,530 in unallowable costs to the SLFRF program for road project costs that were incurred outside of the period of performance. As a result, we are questioning these costs.

### ***Recommendation***

We recommend the County establish controls effective to verify all expenditures are incurred within the period of performance before charging them to federal programs.

### ***County's Response***

*The particular Road project referenced was originally paid through other sources and met all of the requirements for the original funding source. When the county decided to use Coronavirus State and Local Fiscal Recovery Funds for the project the fact that some of the work took place before 2020 was missed. All accounting staff is now aware of the date restrictions and will be diligent in making sure no other expenses are paid outside the period of performance.*

### ***Auditor's Remarks***

We appreciate the County's commitment to resolving the issue noted, and will follow up during the next audit.

## *Applicable Laws and Regulations*

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 31 CFR Part 35, section 35.5(a) defines the period of performance as beginning on March 3, 2021, and ending on December 31, 2024

Title 2 CFR Part 200, Uniform Guidance, section 403, Factors affecting allowability of costs describes the requirements for charging costs to federal programs.

# SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

## Douglas County January 1, 2021 through December 31, 2021

### 2021-002 The County's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment.

<b>Assistance Listing Number and Title:</b>	21.027, COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
<b>Federal Grantor Name:</b>	U.S. Department of the Treasury
<b>Federal Award/Contract Number:</b>	SLFRP2214
<b>Pass-through Entity Name:</b>	N/A
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Questioned Cost Amount:</b>	\$0

#### *Description of Condition*

The purpose of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. In 2021, the County spent \$1,040,917 in program funds for the provision of government services.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls. Recipients are also required to retain documentation for auditing purposes.

Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the County enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal

funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. The County may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The County must perform this verification before entering into the contract, and it must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the County did not have internal controls for ensuring it verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the County did not verify that five contractors paid a total of \$909,801 were not suspended or debarred from participating in federal programs before contracting with them in 2021.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

County staff responsible for these purchases said they were not aware of the federal requirements for suspension and debarment.

### ***Effect of Condition***

The County did not obtain written certifications, insert clauses into the contracts, or check SAM.gov to verify the contractors were not suspended or debarred.

Without this verification, the County increases its risk of providing federal funds to contractors that are excluded from participating in federal programs. Any payments made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the contractors were not suspended and debarred, therefore, we are not questioning costs.

### ***Recommendation***

We recommend the County establish internal controls to verify all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

## ***County's Response***

*The County has created a procurement checklist for all projects including Federal and State funded projects. This resource will be provided to all county staff, including the Board of Commissioners and County Administrator to ensure proper compliance with all requirements.*

## ***Auditor's Remarks***

We appreciate the County's commitment to resolving the issue noted, and will follow up during the next audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

# DOUGLAS COUNTY COMMISSIONERS

DAN SUTTON 1<sup>ST</sup> DISTRICT    KYLE STEINBURG 2<sup>ND</sup> DISTRICT    MARC S. STRAUB 3<sup>RD</sup> DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Douglas County January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2020 through December 31, 2020	<b>Report Ref. No.:</b> 1030179	<b>Finding Ref. No.:</b> 2020-001
<b>Finding Caption:</b> The County did not have effective internal controls in place for ensuring accurate and reliable financial reporting.		
<b>Background:</b> We found the following deficiencies in internal controls over financial reporting. These deficiencies represent a significant deficiency and could adversely affect the County’s ability to produce accurate and reliable financial statements. <ul style="list-style-type: none"> <li>• County management did not have effective controls for reconciling the prepared financial statements to supporting bank activity to verify that the financial statements were accurate.</li> <li>• County management did not correctly apply BARS Manual guidance regarding fiduciary reporting of investments of other local governments that use the County Treasurer as their treasurer</li> </ul> Because of these internal control deficiencies, the County’s financial statements contained the following errors that management did not detect: <ul style="list-style-type: none"> <li>• The County understated total beginning cash and investments by about \$2 million <ul style="list-style-type: none"> <li>• Overstated revenues and other increases by about \$730,000</li> <li>• Overstated expenditures and other decreases by about \$1 million</li> <li>• Understated total ending cash and investments by about \$2.7 million</li> </ul> </li> <li>• The County reported all investments of other local governments in a custodial fund. However, the County should have reported about \$13.6 million in an investment trust fund and about \$97.6 million in an external investment pool fund. This misstatement was corrected by management.</li> </ul>		

We recommend County management:

- Dedicate the necessary time and resources to establishing effective controls to fully reconcile the year-end financial statements to supporting bank activity
- Ensure employees responsible for preparing financial statements identify, fully understand, and apply updated and applicable BARS manual reporting requirements in the County's annual financial report

**Status of Corrective Action:**

Fully Corrected       Partially Corrected       Not Corrected       Finding is considered no longer valid

**Corrective Action Taken:**

*Managing entries on a monthly basis. Taking time to educate ourselves on BARS Manual and reporting requirements.*

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Douglas County** **January 1, 2021 through December 31, 2021**

Board of Commissioners  
Douglas County  
East Wenatchee, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Douglas County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated January 30, 2023.

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 state law 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.

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

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

In addition, we noted certain matters that we will report to the management of the County in a separate letter dated February 6, 2023.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

January 30, 2023

# INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

## Douglas County January 1, 2021 through December 31, 2021

Board of Commissioners  
Douglas County  
East Wenatchee, Washington

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

#### Qualified Opinion on 21.027 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

We have audited the compliance of Douglas County, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the possible effects of the matter described below, 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 21.027 - Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2021.

#### Basis for Qualified Opinion on 21.027 - Coronavirus State and Local Fiscal Recovery Funds

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

### **Matter Giving Rise to Qualified Opinion on 21.027 - Coronavirus State and Local Fiscal Recovery Funds**

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding 21.027 – Coronavirus State and Local Fiscal Recovery Funds and associated finding number 2021-001 for Allowable Costs, Activities Allowed and Period of Performance.

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures also disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

### **County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001 and 2021-002 that we consider to be material weaknesses.

### **County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

January 30, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Douglas County** **January 1, 2021 through December 31, 2021**

Board of Commissioners  
Douglas County  
East Wenatchee, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Douglas County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the County has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of Douglas County, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Douglas County, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the County in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 state law and the BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 January 30, 2023 on our consideration of the County's internal control over financial reporting and on the 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 the effectiveness of the County's 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

January 30, 2023

**Douglas County**  
**January 1, 2021 through December 31, 2021**

**FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021  
Notes to the Financial Statements – 2021

**SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2021  
Schedule of Expenditures of Federal Awards – 2021  
Notes to the Schedule of Expenditures of Federal Awards – 2021

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>102 CRIME VICTIMS</b>	<b>104 LAW LIBRARY</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	49,214,750	14,936,360	206,800	2,031
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	30,782,198	20,752,401	-	-
320	Licenses and Permits	1,515,481	18,766	-	-
330	Intergovernmental Revenues	14,143,095	1,804,591	69,056	-
340	Charges for Goods and Services	10,855,428	2,192,835	43,047	10,036
350	Fines and Penalties	564,306	561,205	-	-
360	Miscellaneous Revenues	2,181,626	1,038,823	-	-
Total Revenues:		60,042,134	26,368,621	112,103	10,036
<b>Expenditures</b>					
510	General Government	11,265,004	8,544,466	78,894	-
520	Public Safety	9,998,930	9,545,413	-	-
530	Utilities	784,826	-	-	-
540	Transportation	12,929,049	-	-	-
550	Natural/Economic Environment	1,964,611	170,850	-	-
560	Social Services	1,460,931	169,145	-	-
570	Culture and Recreation	811,955	144,558	-	9,087
Total Expenditures:		39,215,306	18,574,432	78,894	9,087
Excess (Deficiency) Revenues over Expenditures:		20,826,828	7,794,189	33,209	949
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,273,510	314,336	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	629,439	82,412	-	-
Total Other Increases in Fund Resources:		2,902,949	396,748	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,337,855	40,174	-	-
591-593, 599	Debt Service	1,263,685	-	-	-
597	Transfers-Out	2,273,510	775,006	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	160,000	80,000	-	-
Total Other Decreases in Fund Resources:		7,035,050	895,180	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>16,694,727</b>	<b>7,295,757</b>	<b>33,209</b>	<b>949</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	30,739,445	-	240,009	2,980
50841	Committed	13,508,719	570,798	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	21,661,319	21,661,319	-	-
<b>Total Ending Cash and Investments</b>		<b>65,909,483</b>	<b>22,232,117</b>	<b>240,009</b>	<b>2,980</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<u>105 NCWFAIR</u>	<u>106 FAIR LIVESTOCK SALE</u>	<u>107 AMERICAN RESCUE PLAN ACT</u>	<u>109 TREAS M&amp;O</u>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	42,293	42,608	-	98,567
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	10,459	-	4,217,787	-
340	Charges for Goods and Services	170,384	-	-	65,592
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	168,933	266,909	1,936	70
Total Revenues:		<u>349,776</u>	<u>266,909</u>	<u>4,219,723</u>	<u>65,662</u>
<b>Expenditures</b>					
510	General Government	-	-	333,560	46,677
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	319,587	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	562,317	10,183	23,022	-
Total Expenditures:		<u>562,317</u>	<u>10,183</u>	<u>676,169</u>	<u>46,677</u>
Excess (Deficiency) Revenues over Expenditures:		(212,541)	256,726	3,543,554	18,985
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	205,980	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	80,000	-	-	-
Total Other Increases in Fund Resources:		<u>285,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	364,749	-
591-593, 599	Debt Service	6	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	80,000	-	-	-
Total Other Decreases in Fund Resources:		<u>80,006</u>	<u>-</u>	<u>364,749</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(6,567)</b>	<b>256,726</b>	<b>3,178,805</b>	<b>18,985</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	3,178,806	117,552
50841	Committed	35,725	299,334	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>35,725</u></b>	<b><u>299,334</u></b>	<b><u>3,178,806</u></b>	<b><u>117,552</u></b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	112 AUD M & O	114 WSU PUB	118 PATHS AND TRAILS	119 COUNTY ROAD	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	17,969	59,725	967	3,998,417
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	7,037,405
320	Licenses and Permits	-	-	-	156,895
330	Intergovernmental Revenues	78,841	25,000	17,752	5,320,301
340	Charges for Goods and Services	44,477	4,164	-	1,275,807
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	6	31,469
Total Revenues:		123,318	29,164	17,758	13,821,877
<b>Expenditures</b>					
510	General Government	91,797	-	-	167,508
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	10,147,332
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	8,565	-	-
Total Expenditures:		91,797	8,565	-	10,314,840
Excess (Deficiency) Revenues over Expenditures:		31,521	20,599	17,758	3,507,037
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	516,127
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	3	-	439,361
Total Other Increases in Fund Resources:		-	3	-	955,488
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	1,298,769
591-593, 599	Debt Service	-	-	-	529,667
597	Transfers-Out	-	-	15,565	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	15,565	1,828,436
<b>Increase (Decrease) in Cash and Investments:</b>		<b>31,521</b>	<b>20,602</b>	<b>2,193</b>	<b>2,634,089</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	49,490	-	3,161	6,632,506
50841	Committed	-	80,327	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>49,490</b>	<b>80,327</b>	<b>3,161</b>	<b>6,632,506</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<u>120 VET'S REL</u>	<u>121 ELEC RES</u>	<u>122 CAPP</u>	<u>126 LAW AND JUSTICE</u>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	102,043	1,316,494	340,588	(6,465)
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	73,609	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	(37,578)	693,745	510,084
340	Charges for Goods and Services	-	32,884	-	13,541
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	72	196	-	-
Total Revenues:		<u>73,681</u>	<u>(4,498)</u>	<u>693,745</u>	<u>523,625</u>
<b>Expenditures</b>					
510	General Government	-	1,885	-	248,928
520	Public Safety	-	-	-	144,344
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	85,411	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>85,411</u>	<u>1,885</u>	<u>-</u>	<u>393,272</u>
Excess (Deficiency) Revenues over Expenditures:		<u>(11,730)</u>	<u>(6,383)</u>	<u>693,745</u>	<u>130,353</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	44,246	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	272,639	500,000	120,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>316,885</u>	<u>500,000</u>	<u>120,000</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>(11,730)</u></b>	<b><u>(323,268)</u></b>	<b><u>193,745</u></b>	<b><u>10,353</u></b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	90,313	993,226	534,333	3,888
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>90,313</u></b>	<b><u>993,226</u></b>	<b><u>534,333</u></b>	<b><u>3,888</u></b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	127 CUMUL RES	128 DRUG	130 DEV DISABILITIES	131 BEHAVIORAL HEALTH TAX	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	29,044	14,026	608,077	217,743
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	81,507	81,762
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	935,132	-
340	Charges for Goods and Services	-	-	172,546	-
350	Fines and Penalties	-	3,101	-	-
360	Miscellaneous Revenues	23	703	-	-
	Total Revenues:	23	3,804	1,189,185	81,762
<b>Expenditures</b>					
510	General Government	1,759	-	-	-
520	Public Safety	-	4,863	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	1,206,375	-
570	Culture and Recreation	-	-	-	-
	Total Expenditures:	1,759	4,863	1,206,375	-
	Excess (Deficiency) Revenues over Expenditures:	(1,736)	(1,059)	(17,190)	81,762
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
	Total Other Increases in Fund Resources:	-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
	Total Other Decreases in Fund Resources:	-	-	-	-
	<b>Increase (Decrease) in Cash and Investments:</b>	<b>(1,736)</b>	<b>(1,059)</b>	<b>(17,190)</b>	<b>81,762</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	12,967	590,889	299,505
50841	Committed	27,308	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
	<b>Total Ending Cash and Investments</b>	<b>27,308</b>	<b>12,967</b>	<b>590,889</b>	<b>299,505</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	<b>133 BOAT SAFE</b>	<b>144 CW SOLID WASTE</b>	<b>146 PROBATION</b>	<b>147 RISK POOL</b>	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	18,674	781,545	244,789	643,623
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	38,502	131,046	-	-
340	Charges for Goods and Services	-	419,536	123,717	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	24,383	30,730	395,134
	Total Revenues:	38,502	574,965	154,447	395,134
<b>Expenditures</b>					
510	General Government	-	-	133,301	363,789
520	Public Safety	-	-	-	-
530	Utilities	-	454,247	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	24,179	-	-	-
	Total Expenditures:	24,179	454,247	133,301	363,789
	Excess (Deficiency) Revenues over Expenditures:	14,323	120,718	21,146	31,345
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	20,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	20,000
	Total Other Increases in Fund Resources:	-	20,000	-	20,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
	Total Other Decreases in Fund Resources:	-	-	-	-
	<b>Increase (Decrease) in Cash and Investments:</b>	<b>14,323</b>	<b>140,718</b>	<b>21,146</b>	<b>51,345</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	32,998	922,262	265,934	-
50841	Committed	-	-	-	694,968
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
	<b>Total Ending Cash and Investments</b>	<b>32,998</b>	<b>922,262</b>	<b>265,934</b>	<b>694,968</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		152 RETIREMENT CONT	157 CEERP	158 CO COM DEV	161 LEGAL OBL
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	93,366	1,010,269	133,858	57,162
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	139,549	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	191,870	-	3,032
340	Charges for Goods and Services	-	23,495	74,874	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	8,815
Total Revenues:		-	215,365	214,423	11,847
<b>Expenditures</b>					
510	General Government	-	-	-	1,299
520	Public Safety	-	91,202	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	13,646	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	91,202	13,646	1,299
Excess (Deficiency) Revenues over Expenditures:		-	124,163	200,777	10,548
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	397,489	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	397,489	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	388,229	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	388,229	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		-	<b>133,423</b>	<b>200,777</b>	<b>10,548</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	334,636	67,710
50841	Committed	93,366	1,143,692	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>93,366</b>	<b>1,143,692</b>	<b>334,636</b>	<b>67,710</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	<b>163 BUILD MAIN</b>	<b>164 DOMES VIOL CRT ADV</b>	<b>165 COURT IMP</b>	<b>167 FAIR DRIV</b>	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,678,724	2,296	21,162	1,786
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	22,652	-
340	Charges for Goods and Services	-	-	-	150
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	17,440	-	-	-
	Total Revenues:	17,440	-	22,652	150
<b>Expenditures</b>					
510	General Government	287,962	-	277	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	8,444	-	-	-
	Total Expenditures:	296,406	-	277	-
	Excess (Deficiency) Revenues over Expenditures:	(278,966)	-	22,375	150
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
	Total Other Increases in Fund Resources:	-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	48,193	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
	Total Other Decreases in Fund Resources:	48,193	-	-	-
	<b>Increase (Decrease) in Cash and Investments:</b>	<b>(327,159)</b>	<b>-</b>	<b>22,375</b>	<b>150</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	2,296	43,537	-
50841	Committed	1,351,566	-	-	1,936
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
	<b>Total Ending Cash and Investments</b>	<b>1,351,566</b>	<b>2,296</b>	<b>43,537</b>	<b>1,936</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<u>168 HOMELESS</u>	<u>169 HIST PRES</u>	<u>170 D V PREVENT</u>	<u>171 HOST FEES</u>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	246,817	97,509	4,429	1,298,934
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	238,798
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	481,569	12,619	317	63,679
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	1,431
Total Revenues:		<u>481,569</u>	<u>12,619</u>	<u>317</u>	<u>303,908</u>
<b>Expenditures</b>					
510	General Government	-	10,000	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	243,333	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>243,333</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		<u>238,236</u>	<u>2,619</u>	<u>317</u>	<u>303,908</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	1,697
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,697</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>238,236</u></b>	<b><u>2,619</u></b>	<b><u>317</u></b>	<b><u>302,211</u></b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	485,053	100,128	4,746	1,601,145
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>485,053</u></b>	<b><u>100,128</u></b>	<b><u>4,746</u></b>	<b><u>1,601,145</u></b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	173 WM SCHOLARSHIP	174 NCW FAIR RACE HORSE	176 DO CO JAIL	177 PEST CONTROL	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	21,592	3,000	2,366,352	20,963
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	6,368	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	21,350	-	55,191
Total Revenues:		6,368	21,350	-	55,191
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	40,482
560	Social Services	-	-	-	-
570	Culture and Recreation	-	21,600	-	-
Total Expenditures:		-	21,600	-	40,482
Excess (Deficiency) Revenues over Expenditures:		6,368	(250)	-	14,709
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	28,064	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	28,064	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>6,368</b>	<b>(250)</b>	<b>(28,064)</b>	<b>14,709</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	27,960	-	-	35,672
50841	Committed	-	2,750	2,338,288	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>27,960</b>	<b>2,750</b>	<b>2,338,288</b>	<b>35,672</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		178 LOCAT TRIAL CRT	179 E-REET ANNUAL REVAL	182 DISPUTE RESOLUTION	183 COMMUNITY INVOLVEMENT
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	46,436	75,463	1,140	35,049
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	12,742	-	-
340	Charges for Goods and Services	6,214	6,578	7,040	63,679
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		6,214	19,320	7,040	63,679
<b>Expenditures</b>					
510	General Government	-	-	6,980	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	6,980	-
Excess (Deficiency) Revenues over Expenditures:		6,214	19,320	60	63,679
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	10,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	10,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>6,214</b>	<b>19,320</b>	<b>60</b>	<b>53,679</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	52,650	94,782	1,200	88,729
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>52,650</b>	<b>94,782</b>	<b>1,200</b>	<b>88,729</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	<u>204 LGO BOND</u>	<u>301 DISTRESS1</u>	<u>303 CE CAP</u>	<u>311 DISTRESS 2</u>	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	-	756,424	3,272,075	1,722,829
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	734,822	1,146,321	734,822
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	28	-	779
Total Revenues:		-	734,850	1,146,321	735,601
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	734,850	1,146,321	735,601
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	538,603	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		538,603	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	2,413	169,233	284,871
591-593, 599	Debt Service	538,603	79,075	-	-
597	Transfers-Out	-	268,875	269,728	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		538,603	350,363	438,961	284,871
<b>Increase (Decrease) in Cash and Investments:</b>		-	<b>384,487</b>	<b>707,360</b>	<b>450,730</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	1,140,912	3,979,436	2,173,559
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		-	<b>1,140,912</b>	<b>3,979,436</b>	<b>2,173,559</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

	314 POST ANNEXATION	320 MILLER STREET CAP RES	321 L AND J BLDG	403 LAND USE & BUILDING SERVICES	
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	1,117,535	350,573	1,271,359	2,546,538
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	1,101,022
330	Intergovernmental Revenues	-	-	-	47,840
340	Charges for Goods and Services	-	-	-	853,164
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,110	-	-	486
Total Revenues:		1,110	-	-	2,002,512
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	213,108
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	1,496,300
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	1,709,408
Excess (Deficiency) Revenues over Expenditures:		1,110	-	-	293,104
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	280,975
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	525
Total Other Increases in Fund Resources:		-	-	-	281,500
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	128,565	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	128,565	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,110</b>	<b>-</b>	<b>(128,565)</b>	<b>574,604</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	1,118,645	350,573	1,142,793	3,121,141
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,118,645</b>	<b>350,573</b>	<b>1,142,793</b>	<b>3,121,141</b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>404 STORM WATER UTILITY</b>	<b>501 ER&amp;R</b>	<b>502 UECOMP</b>	<b>503 MANAGEMENT INFO SYS</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and Investments	3,920,325	2,222,768	652,030	450,069
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	50,000	-	-	241
340	Charges for Goods and Services	786,843	2,914,366	70,856	915,051
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	79,764	2,661	33,184	-
Total Revenues:		<u>916,607</u>	<u>2,917,027</u>	<u>104,040</u>	<u>915,292</u>
<b>Expenditures</b>					
510	General Government	-	-	9,801	936,121
520	Public Safety	-	-	-	-
530	Utilities	330,579	-	-	-
540	Transportation	-	2,462,130	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>330,579</u>	<u>2,462,130</u>	<u>9,801</u>	<u>936,121</u>
Excess (Deficiency) Revenues over Expenditures:		586,028	454,897	94,239	(20,829)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	(422)	7,560	-	-
Total Other Increases in Fund Resources:		<u>(422)</u>	<u>7,560</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	50,000	490,349	-	-
591-593, 599	Debt Service	87,850	28,484	-	-
597	Transfers-Out	-	-	-	40,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>137,850</u>	<u>518,833</u>	<u>-</u>	<u>40,000</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>447,756</u></b>	<b><u>(56,376)</u></b>	<b><u>94,239</u></b>	<b><u>(60,829)</u></b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,368,081	2,166,394	-	-
50841	Committed	-	-	746,269	389,240
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>4,368,081</u></b>	<b><u>2,166,394</u></b>	<b><u>746,269</u></b>	<b><u>389,240</u></b>

The accompanying notes are an integral part of this statement.

**Douglas County**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Private-Purpose Trust</b>	<b>Custodial</b>
308	Beginning Cash and Investments	114,032,552	13,555,357	31,962	11,149,712
388 & 588	Net Adjustments	-	-	-	-
310-390	Additions	374,322,799	8,875,983	15,841	298,061,795
510-590	Deductions	375,666,708	7,410,394	2,857	299,628,382
	Net Increase (Decrease) in Cash and Investments:	(1,343,909)	1,465,589	12,984	(1,566,587)
508	Ending Cash and Investments	112,688,644	15,020,946	44,947	9,583,125

*The accompanying notes are an integral part of this statement.*

**Douglas County**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>External Investment Pool Fund</b>
308	Beginning Cash and Investments	89,295,521
388 & 588	Net Adjustments	-
310-390	Additions	67,369,180
510-590	Deductions	68,625,075
	Net Increase (Decrease) in Cash and Investments:	(1,255,895)
508	Ending Cash and Investments	88,039,626

*The accompanying notes are an integral part of this statement.*

# Douglas County, Washington

## Notes to the Financial Statements

### For the year ended December 31, 2021

#### Note 1. Summary of Significant Accounting Policies

Douglas County, Washington, was incorporated on November 28, 1883 and operates under the laws of the State of Washington applicable to a fourth class county. The county is a general-purpose government and provides planning and zoning, public safety, road improvement, judicial administration, health and social services, and general administrative services.

The County 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 not included in the financial statements. (see Note 12 – Joint Ventures)
- 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 for proprietary and fiduciary funds are presented using classification that are similar to the ending net position classifications in GAAP.

#### A. Fund Accounting

Financial transactions of the county are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The county's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

#### **Governmental Funds**

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

*Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary or major capital projects) that are restricted by agreements or state statutes to

expenditures for specific purposes. The County's special revenue funds account for operations such as roads, health and social services.

*Debt Service Funds* account for the accumulation of resources that are restricted, committed, or assigned to pay principal, interest, and related costs on general long-term debt.

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

### **Proprietary Funds**

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

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

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

*Investment Trust Funds* are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

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

*Custodial Funds* are used to account assets that the County holds on behalf of others in a custodial capacity.

### **B. Basis of Accounting and Measurement Focus**

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

Financial Statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law. In accordance with state law the county also recognized expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

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

#### **D. Cash and Investments**

It is the County's policy to invest all temporary cash surpluses. This amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is credited to the General Fund. See Note 3.

#### **E. Interfund Loans**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." A separate schedule of interfund loans receivable and payable is furnished in Note 11.

#### **F. Compensated Absences**

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

Vacation pay, which may be accumulated up to 320 hours, is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours. Upon resignation, retirement or death, any sick leave accrued over 720 hours up to 960 hours will be paid, with the exception members of the Sheriff Guild are paid for all sick leave up to 240 hours. Payments are recognized as expenditures when paid.

#### **G. Long-Term Debt** - See Note 9.

#### **H. Capital Assets**

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

#### **I. Restricted and Committed Portion of Ending Cash and Investments**

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

Restrictions and commitments of Ending Cash and Investments consist of the following:

Fund Type/Purpose	Restricted by External Party	Restriction Reference	Committed by Board Action
<i>General Fund:</i>			
Capital Projects		RESOLUTION 04-54	246,062
Land Fill Closure/Monitoring		RESOLUTIONS 73-371 & 73-373	15,963
Employee Buyouts		RESOLUTION 134-781	150,000
Technology		RESOLUTION 134-780	158,773
<i>Special Revenue:</i>			
Crime Victims	240,009	RCW 7.68.035	
Law Library	2,980	RCW 27.24.070	
NCWFair			35,725
NCW Fair Livestock Sale		RESOLUTION CE 18-31	299,334
ARPA	3,178,806	Grant agreement	
Treasurer M and O	117,552	RCW 86.54.020 (9)	
Auditor's M and O	49,490	RCW 36.22.170	
WSU Publications Sales and Classes		RESOLUTION CE 98-018	80,327
Paths and Trails	3,162	RCW 47.30.050	
County Road	6,632,506	RCW 36.82.020 funded by taxes and grants	
Veteran Relief	90,313	RCW 73.08.010	
Election Reserve	993,226	RCW 36.33.200	
CAPP	534,333	WAC 136-300-080	
Law and Justice	3,888	State law	
Cumulative Health Reserve		RESOLUTION CE 86-26	27,308
Drug Reserve	12,967	RCW 10.105.010 7c	
Developmental Disabilities	590,889	RCW 71A	
Behavioral Health Tax	299,505	RCW 71.20.110	
Boating Safety	32,998	RCW 88.02.650	
County Wide Solid Waste	922,262	RCW 36.58	
Probation Assessment	265,934	RCW 10.64.120 and AGO 1968 No. 17 - May 02, 1968	
County Risk Pool		RESOLUTION CE 03-54	694,968
Retirement Contingency		RESOLUTION CE 99-077	93,366
Equipment Replacement		RESOLUTION CE 02-10	1,143,692
County Community Development	334,636	RCW 36.22.178	
Legal Financial Obligations	67,710	RCW 9.94a.760	
Building Maintenance		RESOLUTION 04-84	1,351,566
Domestic Court Advocate	2,296	RCW 26.12.220	
Trial Court Improvement	43,537	RCW 3.58.060	
NCW Fair Driving Range		RESOLUTION 05-65	1,936
Low Income housing	485,053	RCW 36.22.179	
Historical Preservation	100,128	RCW 36.22.170	
Local Domestic Violence Prevent.	4,746	RCW 10.99.080	
Host Fee	1,601,145	Host Agreement 07282004 , as amended	
Waste Management Scholarship	27,960	Host Agreement 07282004 , as amended	
NCW Fair Race Sponsorship		RESOLUTION CE 09-70	2,750
Douglas County Jail		RESOLUTION CE 10-31	2,338,288

Pest Control	35,672	RCW 15.09.050, 15.09.131 and 15.09.135	
Local Trial Court	52,650	SB5941, RCW 3.62.030 and 3.62.060	
E-REET Annual Reval	94,782	RCW 65.24	
Dispute Resolution	1,200	RCW 7.75.035	
Community Involvement	88,729	Host Agreement 07282004 , as amended	
<i>Capital Projects:</i>			
Public Facilities in Rural Counties	3,314,471	RCW 82.14.370(3) and RCW 82.14.370(5)	
Local Capital Projects	3,979,436	RCW 82.46.030	
Capital Projects within the Roads Fund			1,118,645
Law and Justice Building		RESOLUTION CE 18-51	1,142,793
Capital Projects within the General Fund			350,573
<i>Proprietary:</i>			
Land Use and Building Services		RESOLUTION PW 94-96	3,121,141
Storm Water Utility	4,368,081	RCW 36.89.080(4)	
Equipment Rental And Revolving	2,166,394	RCW 36.33A	
Unemployment Comp		RESOLUTION CE 77-	746,269
Management Information Services		RESOLUTION CE 96-015	389,240

## Note 2. Budget Compliance

### 1. Scope of Budget

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

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

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

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

	Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001	<b>General Fund</b>			
2	WSU	161,155	144,558	16,597
3	ASSESSOR	827,549	788,627	38,922

5	ALCOHOL C	4,000	808	3,192
6	CLERK	445,220	418,798	26,422
7	CIVIL SERV	15,048	11,358	3,690
8	COMM	461,445	445,007	16,438
9	FACILITIES	574,402	470,358	104,043
10	DISAB BRD	2,000		2,000
11	BOUNDARY R	9,720	3,339	6,381
13	ELECTIONS	396,776	350,412	46,364
16	BOE	7,557	1,680	5,877
18	INTRPSVCS	135,642	109,454	26,188
19	DIST CRT	869,877	831,238	38,639
20	JUVENILE	653,269	582,844	70,425
21	NONDEPT	7,192,754	2,740,748	4,452,005
25	AG SUPPORT	113,525	75,184	38,341
26	PROSECUTOR	1,245,823	1,132,642	113,181
28	SHERIFF	5,810,090	5,303,663	506,427
29	SUPER CRT	511,975	495,642	16,333
30	TREASURER	479,194	438,861	40,332
31	HEALTH SER	168,400	166,837	1,563
36	AUDITOR	711,378	683,143	28,235
37	ANIMAL CTL	113,000	81,711	31,289
38	REG JUVE J	390,000	310,493	79,507
39	REG JAIL	1,400,000	1,078,027	321,973
40	RIVERCOM	2,364,258	2,260,398	103,860
41	ADMINSERV	650,200	534,743	115,457
124	SOLID WST	22,000	17,115	4,885
155	LOCAL GOV	500,035	0	500,035
162	TENT CAMP	246,063	0	246,063
180	TECH REVOLVING	100,000	0	100,000
	<b>Total General Fund</b>	<b>26,582,353</b>	<b>19,477,688</b>	<b>7,104,665</b>
102	CV COMP	88,492	78,894	9,598
104	LAW LIBR	10,000	9,087	913
105	FAIR	646,491	642,323	4,168
106	LIVESTOCK	285,000	10,183	274,817
107	ARPA	2,500,000	1,040,917	1,459,083
109	TREAS M&O	50,150	46,677	3,473
112	AUD M & O	110,362	91,797	18,564
114	WSU PUB	34,406	8,564	25,842
118	P&T	56,788	15,565	41,223
119	CR	16,153,184	12,143,277	4,009,907
120	VET'S REL	110,091	85,411	24,680
121	ELEC RES	323,274	318,770	4,504
122	CAPP	500,000	500,000	0
126	L & J	721,083	513,272	207,811

127	CUMUL RES	28,484	1,759	26,725
128	DRUG	37,593	4,864	32,729
130	DD	1,588,981	1,206,373	382,608
133	BOAT SAFE	34,737	24,179	10,558
144	CW S.W.	518,278	454,248	64,030
146	PROBATION	135,590	133,301	2,288
147	RISK POOL	377,419	363,789	13,630
157	CEERP	625,778	479,431	146,347
158	CO COM DEV	90,111	13,646	76,465
161	LEGAL OBL	6,225	1,299	4,926
163	BUILD MAIN	500,000	344,599	155,401
165	COURT IMP	25,277	277	25,000
167	FAIR DRIV	1,000		1,000
168	HOMELESS	400,000	243,333	156,667
169	HIST PRES	40,000	10,000	30,000
171	HOSTFEES	30,250	1,697	28,553
173	WM SCHOLAR	20,000		20,000
174	FAIRRACESP	29,000	21,600	7,400
176	DO CO JAIL	2,000,000	28,064	1,971,936
177	PEST CONTR	70,000	40,482	29,518
179	EREET REVAL	70,000	0	70,000
182	DISPUTERES	10,000	6,980	3,020
183	COMMUNITY INV	0	10,000	-10,000
204	LGO BOND	622,078	538,603	83,475
301	DISTRESS1	500,000	350,363	149,637
303	CE CAP	1,250,000	438,961	811,039
311	DISTRESS 2	1,500,000	284,871	1,215,129
320	MILLER CAPITAL IMP	350,573		350,573
321	LANDJ BLDG	1,214,352	128,565	1,085,787
403	LUB	2,027,715	1,709,408	318,307
404	SWU	1,334,656	468,429	866,227
501	ERR	4,235,749	2,980,961	1,254,788
502	UECOMP	150,000	9,801	140,199
503	MIS	1,082,008	976,121	105,887

## 2. Procedures for Adopting the Original Budget

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

- a. The County Auditor submits a proposed budget to the County Commission. This budget is based on priorities established by the Commission and estimates provided by County departments during

the preceding months, and balanced with revenue estimates made by the County Treasurer.

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

### 3. Amending the Budget

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

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

The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year. There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the county.

### Note 3. Deposits and Investments

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

Investments are reported at original cost. As of December 31, 2021, the county had the following investments:

Type of Investment	County's own investments	Investments held by County as an agent for other local governments, individuals or private organizations	Total
Bank Deposits	3,470,851	9,628,069	13,098,920
L.G.I.P.	35,213,858	88,039,626	123,253,484
US. Government Securities	15,224,775	15,020,946	30,245,721
Money Market and CD's	12,000,000		12,000,000
<b>Total</b>	<b>\$65,909,484</b>	<b>\$112,688,641</b>	<b>\$178,598,125</b>

The County is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

Custodial credit risk for deposits is the risk that, in event of a failure of depository financial institution, Douglas County would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. Douglas County’s deposits and certificates of deposit are mostly covered by federal deposit insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered, or held by Douglas County or its agent in the government’s name.

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

Umpqua Bank	5,071,384
Cashmere Valley Bank	1,308,895

**Note 4 – External Investment Pool**

Revised Code of Washington (RCW) 36.29.022, 36.29.010, 36.29.020, authorize the County Treasurer to invest its surplus cash and any funds of municipal corporations which are not required for immediate expenditure and are in the custody or control of the county treasurer. The External Investment Pool’s investments are invested pursuant to the Revised Code of Washington. Any credits or payments to pool participants are calculated and made in a manner as required by RCW 36.29.024.

The investments are managed by the Treasurer, which reports investment activity to the County Finance Committee on a Bi-annual basis. Additionally, the County treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The County has not provided nor obtained any legally binding guarantees during the year ended December 31, 2021, to support the value of shares in the Pool.

The External Investment Pool is not registered with the SEC and is not subject to any formal oversight other than that provided by the County Finance Committee. The Committee is responsible

for adopting investment objectives and policies, for hiring investment advisors, and for monitoring policy implementation and investment performance. The Committee’s primary role is to oversee the allocation of the Pool’s portfolio among the asset classes, investment vehicles, and investment managers.

The interest or other earnings of income from the funds of any municipal corporation of which the governing body has not taken any action pertaining to the investment of funds and that have been invested in accordance with state statutes, shall be deposited in the current expense fund of the county and may be used for general county purposes. The total amount of income from the External Investment Pool assigned to the County’s general fund for the year was \$107,443.88. These investments made by the County Treasurer on behalf of the participants is involuntary participation in the County Treasurer’s Investment Pool as they are required to be invested by statute.

Voluntary participants in the County Treasurer’s Pool include Rivercom911, Chelan Douglas Transportation Council, Cemetery Districts, Eastmont Metropolitan Park District, Water Districts, Irrigation Districts, Fire Districts, Hospital Districts, Sewer Districts, and School Districts. The deposits held for both involuntary and voluntary entities are included in the External Investment Pool – Custodial Fund.

The Treasurer also maintains Individual Investment Accounts, as directed by external depositors, which are invested pursuant to the Revised Code of Washington. This investment activity occurs separately from the County’s Pool and is reported in the Individual Investment Trust Fund in the amount of \$19,075,000. Income from the specific investments acquired for the individual municipalities, and changes in the value of those investments, affect only the municipality for which they are acquired, and are aggregated in the Individual Investment Fund.

## **Note 5. Property Taxes**

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

### Property Tax Calendar

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

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

The county's regular levy for 2021 was \$1.0792128116 per \$1,000 on an assessed valuation of \$6,483,457,771 for a total regular levy of \$6,997,031.

The county's levy for road purposes for 2021 was \$1.4798091369 per \$1,000 on an assessed valuation of \$4,703,040,160 for a total county road levy of \$6,959,602.

## **Note 6. OPEB Plans**

The County is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provided OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The County had 132 active plan members and 23 retired plan members as of December 31, 2021. As of December 31, 2021, the County total OPEB liability was \$5,854,326 as calculated using the alternative measurement method. The County contributed \$1,537,837.

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the County as required by RCW 41.26.030(22). The plan pays for 100% of the eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2021, the plan had 4 members, all retirees. As of December 31, 2021 the county's total OPEB liability was \$2,166,100 as calculated using the alternative measurement method. For the year ended December 31, 2021 the county paid \$64,244 in benefits.

## **Note 7. Pension Plans**

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

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. Historical trend and other information regarding each plan are presented in the State Department of Retirement Systems 2021 annual financial report. A copy of this report may be obtained at:

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

At June 30, 2021, the county’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation Percentage	Liability/(Asset)
PERS 1	28,517.02	0.003828%	46,748.84
PERS 1 UAAL	483,250.64	0.064876%	792,287.77
PERS 2 and 3	773,292.50	0.081634%	(8,132,059.89)
Public Safety ERS 2	15,488.12	0.031733%	(72,903.08)
LEOFF 1	0.00	0.007574%	(259,452.07)
LEOFF 2	147,984.18	0.074236%	(4,311,934.22)
VFFRPF	90.00	0.050000%	(10,181.22)

Leoff Plan 1

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

Leoff Plan 2

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

## Note 8. Deferred Compensation Plan

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

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

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

## Note 9. Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the County and summarizes the county's debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds and PW Trust Fund loans are as follows:

Year Ending December 31	GO BONDS		PW Trust Fund		Total Debt
	Principal	Interest	Principal	Interest	
2022	800,000	373,648	85,674	1,747	1,261,069
2023	835,000	345,728	85,674	1,319	1,267,721
2024	855,000	317,823	85,674	891	1,259,388
2025	895,000	287,273	69,440	462	1,252,175
2026	925,000	251,473	11,513	115	1,188,101
2027-2031	2,580,000	829,963	11,513	58	3,421,534
2032-2036	1,175,000	439,750	0	0	1,614,750
2037-2041	1,125,000	214,363	0	0	1,339,363
2042	260,000	11,700	0	0	271,700
<b>Total</b>	<b>\$9,450,000</b>	<b>\$3,071,721</b>	<b>\$349,488</b>	<b>\$4,592</b>	<b>\$12,875,801</b>

## Note 10. Risk Management

Douglas County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or

contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2021, 24 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, education, and claims administration. The Pool's liability program provides coverage for general liability, public officials liability, police professional liability, employment practices liability, and automobile liability. WCRP provides liability limits of \$20,000,000 and currently retains \$2,000,000 million per occurrence. County deductibles range from \$10,000 to \$500,000. Reinsurance is purchased in several layers up to the policy limits of \$10,000,000. Members may purchase an optional \$5,000,000 excess of \$20,000,000 layer of coverage. Allocated Loss Adjustment Expense (ALAE) is combined with losses for purposes of the Pool retention, excess insurance, and deductibles. For losses occurring in 2021, Douglas County selected a per-occurrence deductible of \$50,000.

Members make an annual contribution to fund the Pool. The Pool acquires excess and reinsurance for further protection from larger losses. For the first \$10,000,000 of coverage, the Pool acquires reinsurance. The reinsurance agreements are written with Self-Insured Retentions ("SIRs") equal to the amount of the layer of coverage below. For 2020-21, the Pool's SIR was \$2,000,000. For certain years prior to 2019, reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2018-19, the "corridor" increased the SIR to \$2,000,000, with losses between \$1,000,000 and \$2,000,000 having an annual aggregated stop loss of \$2,500,000. The other reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$30,000,000 (lowest reinsured layer), \$50 million, (second layer). The Pool purchases excess coverage for the additional \$10,000,000 with an aggregate limit of \$100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 24 member counties group purchase an additional \$5,000,000 policy in excess of the pooled \$20,000,000.

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 four 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 2020-21, Douglas County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Two members withdrew from the WCRP during the 2020-21 Fiscal Year. Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

Douglas County also participates in the jointly purchased cyber risk and security coverage from a highly rated commercial insurer. This group-purchased cyber coverage provides limits of \$2,000,000 per claim and \$10,000,000 in the aggregate. For 2021, the Pool's SIR for cyber claims was \$100,000 from January 1 through September 30 and was \$250,000 from October 1 through December 31, with Douglas County having no deductible.

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 review the Pool's financial health, b) approve case settlements exceeding the applicable member's deductible by at least \$100,000, c). to authorize by two-thirds majority vote commencement of lawsuits in the name of the Pool.

During 2020-21, the WCRP's assets decreased to \$53,351,913 while its liabilities also decreased to \$27,509,338. The Pool's net position ended at \$26,624,589. 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, 2021 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

## **Note 11. Interfund Loans**

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Balance 1/1/2021	New Loans	Repayments	Balance 12/31/2021
NCW Fair	Current Expense	\$0	\$80,000	\$80,000	\$0
TOTAL		\$0	\$80,000	\$80,000	\$0

## Note 12. Joint Ventures

Douglas County participates in the following joint ventures:

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

In 2002, Douglas County, Chelan County, the City of Wenatchee, and the City of East Wenatchee, entered into an Interlocal Cooperative Agreement under the authority of RCW Chapter 39.34 in order to provide for the joint exercise of their powers, privileges and authorities to operate a consolidated 911 emergency dispatch facility they named Rivercom. Rivercom began operations in July 2004, and serves as the Public Safety Answering Point for all of the law enforcement agencies in Chelan and Douglas counties, as well as for the vast majority of Fire and Emergency Medical Service agencies in the bicounty region. Douglas County is charged a user fee based on usage of Rivercom services as evidenced by either the number of radio logs and/or dispatched events. In 2021 Douglas County will account for Rivercom as an Agency fund and financial reports can be obtained from the Douglas County Auditor, PO Box 456, Waterville, Washington, 98858.

## Note 13. Covid-19 Pandemic

In February 2021, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Initially the County was expected to lose a large portion of retail sales tax for the months of March, April, and May and a significant decline for the rest of 2021. Fortunately, the loss in sales tax in 2021 amounted to a 5% reduction. The Board of Commissioner have instituted a hiring freeze, a cease of all capital purchases and preapproval of all operation expenses that exceed a certain dollar limit. As of the end of 2021 these directives were still in effect.

In 2021 Sales Tax performed even better than expected and continued to grow. The Board of Commissioners still require preapproval on all hiring and large purchases.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the County is unknown at this time.

### **Note 14. Construction Projects**

The County has active construction projects as of December 31,2021. The County is constructing a new Law and Justice Building, funded through floating a \$4,000,000 bond and existing General Fund Revenue.

At year end the County’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Law and Justice Building	7,739,102	293,378

### **Note 15. Contingencies and Litigations**

On February 25, 2021, the Washington State Supreme Court in State vs Blake declared unconstitutional Washington’s strict liability drug possession statute, which criminalized unintentional, unknowing possession of controlled substances without a prescription. The end result is that the state law criminalizing possession of controlled substances has been struck down as unconstitutional; in other words, it is no longer a crime for someone to possess controlled substances, whether knowingly or unknowingly.

The repercussions of this decision are significant, and include:

- Invalidation of simple drug possession convictions for nearly 100 individuals incarcerated and nearly 7,000 individuals who have been sentenced to community supervision on a simple possession conviction.
- Potential resentencing for nearly 2,600 individuals incarcerated and nearly 3,900 individuals who are serving community supervision on a simple possession and an additional conviction(s).

At this time the County does not have the information necessary to make an estimate of any potential liability. The County feels the liability rests with the state and will code all payments to non-expenditures and all reimbursements from the state as non-revenue.

**Douglas County  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Limited Gen. Obligation Bonds	12/1/2042	3,795,000	-	115,000	3,680,000
251.11	Limited Gen. Obligation Bonds	12/1/2022	390,000	-	190,000	200,000
251.11	Limited Gen. Obligation Bonds	12/1/2032	6,040,000	-	470,000	5,570,000
263.81	Public Works Trust fund Loan	7/1/2024	64,938	-	16,234	48,704
263.81	Public Works Trust fund Loan	7/1/2025	289,631	-	57,927	231,704
263.81	Public Works Trust fund Loan	7/1/2027	80,594	-	11,513	69,081
<b>Total General Obligation Debt/Liabilities:</b>			<b>10,660,163</b>	<b>-</b>	<b>860,674</b>	<b>9,799,489</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	COMPENSATED ABSENCES		1,968,362	1,297,347	1,587,034	1,678,675
264.30	Pension Liability		3,428,465	-	2,589,428	839,037
264.40	OPEB		9,264,782	-	1,244,356	8,020,426
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>14,661,609</b>	<b>1,297,347</b>	<b>5,420,818</b>	<b>10,538,138</b>
<b>Total Liabilities:</b>			<b>25,321,772</b>	<b>1,297,347</b>	<b>6,281,492</b>	<b>20,337,627</b>

**Douglas County  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Wash State Patrol)	National Criminal History Improvement Program (NCHIP)	16.554	NA	17,242	-	17,242	-	123
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Wash State Dept of Commerce)	Crime Victim Assistance	16.575	NA	30,733	-	30,733	-	123
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Wash State Dept of Commerce)	Violence Against Women Formula Grants	16.588	F-19-31103- 029,028	17,802	-	17,802	-	123
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	449123	-	2,360	2,360	-	123
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WADOT)	Highway Planning and Construction	20.205	HSIP-000S (537)	256,378	-	256,378	-	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WADOT)	Highway Planning and Construction	20.205	STPUS-5903 (001)	113,525	-	113,525	-	123
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WADOT)	Highway Planning and Construction	20.205	ER-2004(084)	383,546	-	383,546	-	123
<b>Total Highway Planning and Construction Cluster:</b>				<b>753,449</b>	<b>-</b>	<b>753,449</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.



## DOUGLAS COUNTY

### Notes to the Schedule of Expenditures of Federal Awards

#### For the Year Ended December 31, 2021

**Note 1 – Basis of Accounting**

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

**Note 2 – Program Costs**

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

**Note 3 – Indirect Cost Rate**

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

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

**Douglas County  
 January 1, 2021 through December 31, 2021**

This schedule presents the corrective action planned by the County for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Audit Period:</b> January 1, 2020 through December 31, 2020	<b>Report Ref. No.:</b> 1030179	<b>Finding Ref. No.:</b> 2020-001
<b>Finding Caption:</b> The County did not have effective internal controls in place for ensuring accurate and reliable financial reporting.		
<b>Background:</b> We found the following deficiencies in internal controls over financial reporting. These deficiencies represent a significant deficiency and could adversely affect the County’s ability to produce accurate and reliable financial statements. <ul style="list-style-type: none"> <li>• County management did not have effective controls for reconciling the prepared financial statements to supporting bank activity to verify that the financial statements were accurate.</li> <li>• County management did not correctly apply BARS Manual guidance regarding fiduciary reporting of investments of other local governments that use the County Treasurer as their treasurer</li> </ul> Because of these internal control deficiencies, the County’s financial statements contained the following errors that management did not detect: <ul style="list-style-type: none"> <li>• The County understated total beginning cash and investments by about \$2 million             <ul style="list-style-type: none"> <li>• Overstated revenues and other increases by about \$730,000</li> <li>• Overstated expenditures and other decreases by about \$1 million</li> <li>• Understated total ending cash and investments by about \$2.7 million</li> </ul> </li> </ul>		

- The County reported all investments of other local governments in a custodial fund. However, the County should have reported about \$13.6 million in an investment trust fund and about \$97.6 million in an external investment pool fund. This misstatement was corrected by management.

We recommend County management:

- Dedicate the necessary time and resources to establishing effective controls to fully reconcile the year-end financial statements to supporting bank activity
- Ensure employees responsible for preparing financial statements identify, fully understand, and apply updated and applicable BARS Manual reporting requirements in the County’s annual financial report

**Status of Corrective Action: (check one)**

- Fully Corrected     
  Partially Corrected     
  Not Corrected     
  Finding is considered no longer valid

**Corrective Action Taken:**

*Managing entries on a monthly basis. Taking time to educate ourselves on BARS Manual and reporting requirements.*

## ABOUT THE STATE AUDITOR'S OFFICE

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