



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Pend Oreille County

For the period January 1, 2016 through December 31, 2016

Published September 18, 2017

Report No. 1019827





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

September 18, 2017

Board of Commissioners
Pend Oreille County
Newport, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Pend Oreille 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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pend Oreille County January 1, 2016 through December 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of Pend Oreille 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 of all funds 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 no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed 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>
10.665	Schools and Roads - Grants to States

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

None reported.

**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***

**Pend Oreille County
January 1, 2016 through December 31, 2016**

Board of Commissioners
Pend Oreille County
Newport, 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 Pend Oreille County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated August 28, 2017.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

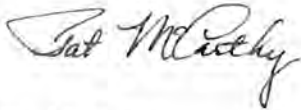
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy
State Auditor
Olympia, WA

August 28, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Pend Oreille County
January 1, 2016 through December 31, 2016**

Board of Commissioners
Pend Oreille County
Newport, Washington

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

We have audited the compliance of Pend Oreille County, Washington, with the types of compliance requirements described 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, 2016. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those

requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

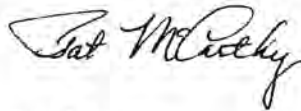
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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

August 28, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Pend Oreille County **January 1, 2016 through December 31, 2016**

Board of Commissioners
Pend Oreille County
Newport, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Pend Oreille County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Pend Oreille County, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pend Oreille County, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

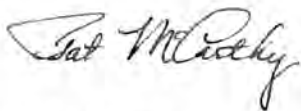
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

August 28, 2017

FINANCIAL SECTION

Pend Oreille County January 1, 2016 through December 31, 2016

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Expenditures of Federal Awards – 2016
Notes to the Schedule of Expenditures of Federal Awards – 2016

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General	101 Arts & Tourism	102 Counseling
Beginning Cash and Investments					
30810	Reserved	4,409,117	1,025,999	42,225	1,089,328
30880	Unreserved	3,160,838	1,477,434	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	5,832,407	3,246,508	45,700	29,095
320	Licenses and Permits	207,761	207,761	-	-
330	Intergovernmental Revenues	10,279,199	4,781,638	-	1,970,311
340	Charges for Goods and Services	6,261,189	1,286,468	-	121,013
350	Fines and Penalties	212,393	212,355	-	-
360	Miscellaneous Revenues	449,713	323,952	-	7,013
Total Revenues:		23,242,662	10,058,682	45,700	2,127,432
Expenditures					
510	General Government	6,461,841	5,276,506	-	-
520	Public Safety	4,686,486	4,131,622	-	-
530	Utilities	1,031,744	-	-	-
540	Transportation	5,485,693	-	-	-
550	Natural and Economic Environment	917,859	689,589	39,225	-
560	Social Services	2,342,583	219,336	-	1,991,238
570	Culture and Recreation	298,140	90,967	-	-
Total Expenditures:		21,224,346	10,408,020	39,225	1,991,238
Excess (Deficiency) Revenues over Expenditures:		2,018,316	(349,338)	6,475	136,194
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	375,000	154,544	-	-
397	Transfers-In	100,000	100,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	21,721	184	-	-
381, 395, 398	Other Resources	250,542	6,150	-	-
Total Other Increases in Fund Resources:		747,263	260,878	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,499,908	500,964	-	-
591-593, 599	Debt Service	47,649	4,663	-	-
597	Transfers-Out	100,000	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	51,380	302	-	-
581	Other Uses	113,000	15,000	-	-
Total Other Decreases in Fund Resources:		2,811,937	520,929	-	-
Increase (Decrease) in Cash and Investments:		(46,358)	(609,389)	6,475	136,194
Ending Cash and Investments					
5081000	Reserved	4,629,215	1,028,939	48,700	1,225,522
5088000	Unreserved	2,894,382	865,105	-	-
Total Ending Cash and Investments		7,523,597	1,894,044	48,700	1,225,522

The accompanying notes are an integral part of this statement.

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		103 Crime Victims	104 Fair	105 Law Library	110 Park
Beginning Cash and Investments					
30810	Reserved	16,438	70,102	3,181	120,854
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	35,645	-	6
340	Charges for Goods and Services	10,245	36,984	3,694	178
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	35,915	-	4,172
Total Revenues:		10,245	108,544	3,694	4,356
Expenditures					
510	General Government	5,544	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	96,642	3,725	102,369
Total Expenditures:		5,544	96,642	3,725	102,369
Excess (Deficiency) Revenues over Expenditures:		4,701	11,902	(31)	(98,013)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	14
381, 395, 398	Other Resources	-	-	-	79,613
Total Other Increases in Fund Resources:		-	-	-	79,627
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	3,000	-	-
Total Other Decreases in Fund Resources:		-	3,000	-	-
Increase (Decrease) in Cash and Investments:		4,701	8,902	(31)	(18,386)
Ending Cash and Investments					
5081000	Reserved	21,139	79,004	3,150	102,468
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		21,139	79,004	3,150	102,468

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		111 Paths & Trails	112 Road	114 Veteran's Assistance	115 Real Estate & Property Tax Admin
Beginning Cash and Investments					
30810	Reserved	124,307	1,086,265	55,465	70,627
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	2,078,554	13,154	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	8,432	2,874,670	1	9,670
340	Charges for Goods and Services	-	417,321	-	2,585
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	21,901	-	310
Total Revenues:		8,432	5,392,446	13,155	12,565
Expenditures					
510	General Government	-	282,695	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	4,312,427	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	8,674	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	4,595,122	8,674	-
Excess (Deficiency) Revenues over Expenditures:		8,432	797,324	4,481	12,565
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	14	-	-
381, 395, 398	Other Resources	-	4,994	-	-
Total Other Increases in Fund Resources:		-	5,008	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	591,988	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	100,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	27,175	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	719,163	-	-
Increase (Decrease) in Cash and Investments:		8,432	83,169	4,481	12,565
Ending Cash and Investments					
5081000	Reserved	132,739	1,169,434	59,946	83,192
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		132,739	1,169,434	59,946	83,192

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		118 Treasurer's O&M	119 Auditor's O&M	123 Trial Court Improvement	126 Drug Enforcement
Beginning Cash and Investments					
30810	Reserved	22,478	105,864	85,404	61,943
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	44,087	13,602	-
340	Charges for Goods and Services	32,586	9,358	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	13	-	2,700	1,262
Total Revenues:		32,599	53,445	16,302	1,262
Expenditures					
510	General Government	10,191	39,626	6,031	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		10,191	39,626	6,031	-
Excess (Deficiency) Revenues over Expenditures:		22,408	13,819	10,271	1,262
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	140
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	140
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,518	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	140
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,518	-	-	140
Increase (Decrease) in Cash and Investments:		19,890	13,819	10,271	1,262
Ending Cash and Investments					
5081000	Reserved	42,368	119,683	95,675	63,205
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		42,368	119,683	95,675	63,205

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		127 Emergency 911 communication	128 Extension Education	130 Growth Management	131 Low Income Housing
Beginning Cash and Investments					
30810	Reserved	22,299	11,338	-	14,113
30880	Unreserved	60,000	-	7,805	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	107,905	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	415,566	-	62,157	-
340	Charges for Goods and Services	-	2,116	-	16,067
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,093	550	-	-
Total Revenues:		524,564	2,666	62,157	16,067
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	554,864	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	67,894	-
560	Social Services	-	-	-	15,472
570	Culture and Recreation	-	4,437	-	-
Total Expenditures:		554,864	4,437	67,894	15,472
Excess (Deficiency) Revenues over Expenditures:		(30,300)	(1,771)	(5,737)	595
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	1	-	-
381, 395, 398	Other Resources	-	-	15,000	-
Total Other Increases in Fund Resources:		-	1	15,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	-
Increase (Decrease) in Cash and Investments:		(30,300)	(1,770)	9,263	595
Ending Cash and Investments					
5081000	Reserved	-	9,568	-	14,708
5088000	Unreserved	51,999	-	17,068	-
Total Ending Cash and Investments		51,999	9,568	17,068	14,708

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		132 Homeless Program	134 Public Facilities	301 Capital Projects	463 Solid Waste
Beginning Cash and Investments					
30810	Reserved	31,624	192,899	156,364	-
30880	Unreserved	-	-	-	131,741
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	142,740	168,751	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	63,414
340	Charges for Goods and Services	85,612	5,758	-	1,067,623
350	Fines and Penalties	-	-	-	38
360	Miscellaneous Revenues	-	-	9,069	37,767
Total Revenues:		85,612	148,498	177,820	1,168,842
Expenditures					
510	General Government	-	-	13,213	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	1,031,744
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	121,151	-	-
560	Social Services	107,863	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		107,863	121,151	13,213	1,031,744
Excess (Deficiency) Revenues over Expenditures:		(22,251)	27,347	164,607	137,098
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	220,456
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	20,483
381, 395, 398	Other Resources	-	3,000	-	-
Total Other Increases in Fund Resources:		-	3,000	-	240,939
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	39,502	148,060	142,199
591-593, 599	Debt Service	-	-	36,253	6,733
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	22,852
581	Other Uses	-	-	-	95,000
Total Other Decreases in Fund Resources:		-	39,502	184,313	266,784
Increase (Decrease) in Cash and Investments:		(22,251)	(9,155)	(19,706)	111,253
Ending Cash and Investments					
5081000	Reserved	9,373	183,744	136,658	-
5088000	Unreserved	-	-	-	242,994
Total Ending Cash and Investments		9,373	183,744	136,658	242,994

Pend Oreille County
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		501 Risk Management	502 ER&R	504 Unemployment	505 Information Technology
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	186,066	937,907	224,503	135,382
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	425,893	2,100,060	5,482	632,146
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	279	3,717	-	-
Total Revenues:		426,172	2,103,777	5,482	632,146
Expenditures					
510	General Government	317,224	-	9,139	501,672
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	1,173,266	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		317,224	1,173,266	9,139	501,672
Excess (Deficiency) Revenues over Expenditures:		108,948	930,511	(3,657)	130,474
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	859	-	26
381, 395, 398	Other Resources	-	141,785	-	-
Total Other Increases in Fund Resources:		-	142,644	-	26
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	906,664	-	168,013
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	904	-	7
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	907,568	-	168,020
Increase (Decrease) in Cash and Investments:		108,948	165,587	(3,657)	(37,520)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	295,014	1,103,494	220,846	97,862
Total Ending Cash and Investments		295,014	1,103,494	220,846	97,862

Pend Oreille County
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	621 Auditor DOL	622 CSA	623 District Ct Checking
308	Beginning Cash and Investments	359,758	8,214	2,000	35,381
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	6,746,747	1,595,302	-	446,743
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	6,834,905	1,593,021	-	473,302
	Net Increase (Decrease) in Cash and Investments:	(88,158)	2,281	-	(26,559)
508	Ending Cash and Investments	271,600	10,495	2,000	8,822

		624 Sheriff Correction-Jail	625 Superior Ct Checking/Trust	632 Advance Tax	675 Sheriff's Trust
308	Beginning Cash and Investments	52,745	16,714	106	5,458
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	70,688	257,782	(106)	21,595
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	64,900	247,448	-	25,169
	Net Increase (Decrease) in Cash and Investments:	5,788	10,334	(106)	(3,574)
508	Ending Cash and Investments	58,533	27,048	-	1,884

		679 State	682 Tax Foreclosure Suspense	683 Timber Tax Reserve	685 Treasurer's Suspense
308	Beginning Cash and Investments	63,229	70,554	105,357	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	4,392,124	(34,181)	(3,273)	73
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	4,414,297	16,768	-	-
	Net Increase (Decrease) in Cash and Investments:	(22,173)	(50,949)	(3,273)	73
508	Ending Cash and Investments	41,056	19,605	102,084	73

The accompanying notes are an integral part of this statement.

PEND OREILLE COUNTY
NOTES TO FINANCIAL STATEMENTS
PERIOD ENDING 12/31/2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pend Oreille County was incorporated on March 1, 1911 and operates under the laws of the state of Washington applicable to a sixth class county. The county is a general purpose local government and provides public safety, road maintenance and improvement, judicial administration, health and social services and general administrative services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund (001)

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

Special Revenue Funds (100-199)

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

Debt Service Funds (200-299)

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

Capital Projects Funds (300-399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

Internal Service Funds (500-599)

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

FIDUCIARY FUND TYPES:

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

Private Purpose Trust Funds (621-630)

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

Agency Funds (631-699)

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

B. Basis of Accounting and Measurement Focus

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

C. Budgets

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

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

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

<i>Fund/Department</i>	<i>Appropriated Amounts</i>	<i>Supplemental Appropriation</i>	<i>Actual Expenditures</i>	<i>Variance</i>
GENERAL FUND				
001-000-000	\$ 1,472,469	\$ 124,000	\$ 1,593,274	\$ 3,195
001-000-060	\$ 319,456		\$ 300,011	\$ 19,445
001-000-090	\$ 380,645	\$ 5,000	\$ 382,027	\$ 3,618
001-000-100	\$ 5,510		\$ 4,315	\$ 1,195
001-000-120	\$ 11,937	\$ 3,000	\$ 13,754	\$ 1,183
001-000-150	\$ 256,660	\$ 2,000	\$ 255,925	\$ 2,735
001-000-180	\$ 295,001		\$ 291,571	\$ 3,430
001-000-190	\$ 574,723		\$ 360,911	\$ 213,812
001-000-200	\$ 30,450		\$ 25,517	\$ 4,933
001-000-210	\$ 536,514		\$ 495,333	\$ 41,181

001-000-240	\$ 560,745		\$ 526,960	\$ 33,785
001-000-285	\$ 131,208	\$ 4,000	\$ 135,064	\$ 144
001-000-300	\$ 240,316		\$ 232,473	\$ 7,843
001-000-330	\$ 296,595		\$ 287,081	\$ 9,514
001-000-350	\$ 114,485		\$ 91,200	\$ 23,285
001-000-380	\$ 65,000		\$ 53,752	\$ 11,248
001-000-390	\$ 58,550	\$ 15,000	\$ 71,873	\$ 1,677
001-000-420	\$ 1,005,154		\$ 955,170	\$ 49,984
001-000-450	\$ 197,506		\$ 193,139	\$ 4,367
001-000-455	\$ 27,240		\$ 22,372	\$ 4,868
001-000-475	\$ 258,896	\$ 117,000	\$ 367,339	\$ 8,557
001-000-480	\$ 111,728	\$ 5,000	\$ 114,057	\$ 2,671
001-000-510	\$ 287,464	\$ 36,000	\$ 319,789	\$ 3,675
001-000-520	\$ 122,562		\$ 116,182	\$ 6,380
001-000-540	\$ 883,177		\$ 794,107	\$ 89,070
001-000-600	\$ 2,205,383	\$ 105,000	\$ 2,249,791	\$ 60,592
001-000-660	\$ 371,108		\$ 351,693	\$ 19,415
001-000-690	\$ 325,248	\$ 3,000	\$ 324,574	\$ 3,674
Total General Fund	\$ 11,145,730	\$ 419,000	\$ 10,929,254	\$ 635,476
101-000-000	\$ 35,000	\$ 5,000	\$ 39,226	\$ 774
102-000-000	\$ 2,367,300		\$ 2,012,800	\$ 354,500
103-000-000	\$ 5,474	\$ 1,000	\$ 5,544	\$ 930
104-000-000	\$ 101,250	\$ 14,000	\$ 115,100	\$ 150
105-000-000	\$ 3,500	\$ 500	\$ 3,724	\$ 276
110-000-000	\$ 99,098	\$ 5,000	\$ 102,369	\$ 1,729
111-000-000	\$ 0	\$ -	\$ 0	\$ 0
112-000-000	\$ 8,569,234		\$ 5,400,682	\$ 3,168,552
112-000-010	-	\$ 85,719	\$ 85,719	\$ 0
114-000-000	\$ 16,500		\$ 8,675	\$ 7,825
115-000-000	\$ 45,000	\$ -	\$ 0	\$ 45,000
116-000-000	\$ 11,000	\$ -	\$ 8,005	\$ 2,995
117-000-000	\$ -	\$ -	\$ -	\$ -
118-000-000	\$ 20,900	\$ -	\$ 12,709	\$ 8,191
119-000-000	\$ 50,198	\$ -	\$ 39,626	\$ 10,572
122-000-000	\$ 0	\$ -	\$ -	\$ 0
123-000-000	\$ 24,000	\$ -	\$ 6,031	\$ 17,969
126-000-000	\$ 0	\$ 140	\$ 140	\$ 0
127-000-000	\$ 744,323	\$ -	\$ 554,864	\$ 189,459
128-000-000	\$ 3,800	\$ 2,000	\$ 4,438	\$ 1,362
130-000-000	\$ 200,000	\$ -	\$ 67,894	\$ 132,106
131-000-000	\$ 15,000	\$ 1,000	\$ 15,472	\$ 528
132-000-000	\$ 93,500	\$ 15,000	\$ 107,863	\$ 637
134-000-000	\$ 120,463	\$ 50,000	\$ 160,653	\$ 9,810
201-000-020	\$ 37,564	\$ -	\$ 36,253	\$ 1,311
301-000-040	\$ 200,000	\$ -	\$ 197,525	\$ 2,475
463-000-000	\$ 911,702	\$ 400,000	\$ 1,300,727	\$ 10,975
501-000-000	\$ 341,111	\$ -	\$ 317,331	\$ 23,780
502-000-000	\$ 2,217,700	\$ -	\$ 2,081,924	\$ 135,776
504-000-000	\$ 10,000		\$ 9,139	\$ 861
505-000-000	\$ 656,743	\$ 86,000	\$ 723,800	\$ 18,943

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

D. Cash

See Note 2, *Deposits & Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days unless specified by a bargaining unit contract and is payable upon resignation, retirement, or death.

Sick leave may be accumulated indefinitely, unless specified by a bargaining unit contract. Upon separation, employees do not receive payment for unused sick leave. Upon retirement or death, employees do receive payment for 1/3 of unused sick leave with a cap of 50 days. Payments are recognized as expenditures when paid.

G. Long Term Debt

See Note 5, *Debt Service Requirements*.

H. Risk Management

Pend Oreille 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, 2016, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2016, Pend Oreille County selects a per-occurrence deductible of \$10,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2015-16, this "corridor" increased the SIR to \$2 million, but with an aggregated stop loss of \$3.45 million. Other reinsurance agreements respond to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30

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

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

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

During 2015-16, Pend Oreille County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

During 2015-16, the WCRP's assets decrease 4% to \$46.8 million while its liabilities increased slightly to \$29 million. The Pool's net position decreased slightly from \$18.9 million to \$17.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2016 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

Pend Oreille County is self-insured, pursuant to RCW 50.44.030, for unemployment compensation. The unemployment contribution fund was established by Resolution 78-2, January 16, 1978. Rates are adjusted annually based on the previous year payroll and claims payments. The State of Washington Employment Security Department administers claims and bills Pend Oreille County for any claims. As per schedule 21, the County had claims totaling \$21,055 for 2015.

I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Pend Oreille County Commissioner Resolution, State RCW or by Grant restrictions. When expenditures that meet restrictions are incurred, the county intends to use reserved resources first before using unreserved amounts.

- a) General Fund (001-000-180) - The Cash flow reserve was established in 2008 to ensure adequate cash flow throughout the year. Originally set at \$800,000 the reserve was raised to \$1,000,000 in December 2008 by resolution 2008-66. In addition, Noxious Weed, a department within Current expense (001-000-475), must reserve the difference in income and expenditures in the neighborhood cost-share program (2016-\$28,939), (a federally funded grant program), if there is any carryover.
- b) Reservations of Ending Cash and Investments consist of the following:

FUND	Beginning Reserve	Ending Reserve	Nature of Restriction
101 Arts & Tourism	42,225	48,700	RCW 67.28.180
102 Counseling	1,089,329	1,225,522	RCW 71.24.015 (7) & RCW 71.20.110 & State & Federal Grants
103 Crime Victims	16,438	21,139	RCW 7.68.035
104 Fair	70,102	79,004	RCW 15.76.115
105 Law Library	3,180	3,150	RCW 27.24.070 & RCW 27.24.030
110 Park	120,854	102,468	Resolution 2008-59 and Resolution 98-82
111 Paths & Trails	124,308	132,739	RCW 47.30
112 Road	1,086,267	1,169,434	RCW 36.82.010 & RCW 82.36.025 & State & Federal Grants
114 Veteran's Assistance	55,466	59,946	RCW 73.08.010
115 Real Estate & Prop Tax Admin	70,626	83,192	RCW 82.45.180 (5a,b,c)
118 Treasurer's O&M	22,478	42,368	RCW 84.56.020
119 Auditor's O&M	105,864	119,683	RCW 36.22.170 & RCW 36.22.175
121 Election Reserve	0	0	Resolution 2004-22
123 Trial Court Improvement	85,404	95,675	RCW 3.58.060
126 Drug Enforcement	61,943	63,205	RCW 69.50.505
127 Emergency 911	22,298	0	RCW 82.14B.030
128 Extension Education	11,337	9,568	Resolution 98-19

130 Growth Management	0	0	RCW 36.70.010
131 Low Income Housing	14,112	14,708	RCW 36.22.178
132 Homeless Program	31,624	9,373	RCW 36.22.179
134 Public Facilities	192,899	183,744	RCW 82.14.370
301 Capital Projects	156,364	136,658	RCW 82.46.040

NOTE 2 – DEPOSITS & INVESTMENTS

It is the county's policy to invest all temporary cash surpluses. The interest on these investments is posted to the current expense fund.

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

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Type of Investment	Pend Oreille County own investments	Investments held by the county as agent for other local governments or private organizations	Total
LGIP	\$6,659,619	\$11,223,221	\$17,882,840
US GOVT SEC	\$0	\$0	\$0
Other:	\$0	\$0	\$0
Certificates of Deposit	\$0	\$0	\$0
Money Market Accounts	\$441,245	\$7,081	\$448,326
Totals	\$7,100,864	\$11,230,302	\$18,331,166

Securities Lending Transactions: The County did not participate in any securities lending transactions during the period covered by the financial statement.

Derivatives: The County had no derivative or similar transactions during the period covered by the financial statement.

The amounts reported as net cash and investments also include a compensating balance maintained with the bank in lieu of payments for services rendered. The average compensating balance maintained during 2016 was approximately \$2,707,794.

NOTE 3 - PROPERTY TAX

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

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

Pend Oreille County's regular levy for the year 2016 was \$1.4025372883 per \$1000 on an assessed valuation of \$1,395,129,225 for a total regular levy of \$1,956,721.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The county's road levy rate for 2016 was \$1.5743877577 per \$1,000 on an assessed valuation of \$1,222,275,739 for a total road levy of \$1,924,336.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2016.

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2016</u>
Fair	Public Facilities	\$27,000	0	\$3,000	\$24,000
Solid Waste	ER&R	\$95,000	0	\$95,000	\$0
Growth Management	CE	\$ 0	\$15,000	0	\$15,000

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the County's debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds, revenue bonds and other debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 59,388	\$14,140	\$ 73,528
2018	\$ 64,969	\$11,950	\$ 76,919
2019	\$ 67,568	\$ 8,961	\$ 76,529
2020	\$ 70,947	\$ 5,498	\$ 76,445
2021	\$ 74,494	\$ 1,862	\$ 76,356
TOTALS	\$ <u>337,366</u>	\$ <u>42,411</u>	\$ <u>379,777</u>

In 2016, a new bond was issued for funding to bring Solid Waste in-house and replacement of an HVAC system.

Debt Guarantees

In 2014, Pend Oreille County guaranteed the Washington State Department of Ecology Loan No. L1400009 of Selkirk School district, a legally separate entity, as part of a pass-through grant/loan to the school district. In the event that Selkirk School District was unable to make a payment, Pend Oreille County would have been required to make that payment. The total principle amount of the outstanding debt subject of this guarantee was paid in full by the school district on December 28, 2016.

NOTE 6 - PENSION PLANS

Substantially all county full-time and qualifying part-time employees participate in the following statewide retirement system administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (Public Employees' Retirement System (PERS 1,2,3); Public Safety Employees' Retirement System (PSERS) and Law Enforcement Officers' and Fire fighters' Retirement System (LEOFF).

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

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

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

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

At June 30, 2016 (the measurement date of the plans), the County's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.0588550%	\$3,160,791
PERS 2/3	.0680790%	\$3,427,724
PSERS 2	.1241610%	\$ 52,766
LEOFF 1	.0017910%	(\$ 18,452)
LEOFF 2	.0380830%	(\$ 221,502)

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 legislations. 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 7 – OTHER DISCLOSURES

- a) Resolution 2016-13 allowed for an inter-fund loan from Current Expense to Growth Management of \$15,000. The Voluntary Stewardship grant was being tracked through the Growth Management fund and since the VSP grant is reimbursable, the fund needed funds to pay for expenditures awaiting reimbursement.
- b) In March 2016, needing capital funds for equipment to run the County Solid Waste program in-house after the contractor rates became unmanageable, and an outdated HVAC unit for the courthouse needed replaced the County issued through the Washington State Treasurer LOCAL program a bond for \$337,366.14 principle.
- c) In response to the Hirst v. Whatcom decision by the Washington State Supreme Court regarding water rights the Pend Oreille County Board of Commissioners are still determining a course of action for Pend Oreille County.
- d) Pend Oreille County Commissioners through Resolution 2016-40 found it necessary to transfer \$200,000 from the \$1,000,000 cash flow reserve to balance the 2017 budget.

**Pend Oreille County
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Martin Hall Bond 96 RFDG	12/1/2016	34,692	-	34,692	-
263.96	LOCAL Solid Waste Portion	6/1/2021	-	198,338	-	198,338
263.96	LOCAL CE/HVAC Portion	6/1/2021	-	139,028	-	139,028
Total General Obligation Debt/Liabilities:			34,692	337,366	34,692	337,366
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		1,271,248	775,391	759,779	1,286,860
264.30	Pension Liabilities		5,544,557	1,096,724	-	6,641,281
Total Revenue and Other (non G.O.) Debt/Liabilities:			6,815,805	1,872,115	759,779	7,928,141
Total Liabilities:			6,850,497	2,209,481	794,471	8,265,507

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Washington State Auditor's Office

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture (via Office of State Treasurer)	Schools and Roads - Grants to States	10.665	Federal Forest Yield	391,460	-	391,460	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	11-DG- 11062100-014	-	171,104	171,104	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NFS 13DG- 11062100-009	-	17,742	17,742	-	4
Total Forest Service Schools and Roads Cluster:				391,460	188,846	580,306	-	
Office For Victims Of Crime, Department Of Justice (via Washington State Dept of Commerce)	Crime Victim Assistance	16.575	S17-31102-537	17,694	-	17,694	-	
Violence Against Women Office, Department Of Justice (via Washington State Dept of Commerce)	Violence Against Women Formula Grants	16.588	F13-31103-052	30,414	-	30,414	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA State DSHS)	Enforcing Underage Drinking Laws Program	16.727	2011-AH-FX- 0059/1563- 35515	795	-	795	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via State Dept of Transportation)	Highway Planning and Construction	20.205	BRS-T261(005)	12,582	-	12,582	-	
Federal Highway Administration (fhwa), Department Of Transportation (via State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-F260 (005)	15,268	-	15,268	-	

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The accompanying notes are an integral part of this schedule.

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Washington State Auditor's Office

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Highway Administration (fhwa), Department Of Transportation (via State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-F260 (004)	27,590	-	27,590	-	
Total Highway Planning and Construction Cluster:				55,440	-	55,440	-	
Pipeline And Hazardous Materials Safety Administration, Department Of Transportation (via WA State Military Dept)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E16209	7,255	-	7,255	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1563-42489	54,889	-	54,889	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Drug-Free Communities Support Program Grants	93.276	5H79SP018172 -04	99,907	-	99,907	-	
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	0763-15091	1,020	-	1,020	-	3
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	2110-80328	61,448	-	61,448	-	3
Administration For Children And Families, Department Of Health And Human Services (via WA State DSHS)	Child Support Enforcement	93.563	2110-80328	21,819	-	21,819	-	3

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The accompanying notes are an integral part of this schedule.

Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Washington State Auditor's Office

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 93.563:	84,287	-	84,287	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	16BHO1938	2,706	-	2,706	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	16BHO1937	91,242	-	91,242	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42489 (15 -17 biennium)	25,443	-	25,443	-	
			Total CFDA 93.959:	119,391	-	119,391	-	
United States Coast Guard (uscg), Department Of Homeland Security (via WA State Parks & Rec)	Boating Safety Financial Assistance	97.012	3316FAS160153	9,756	-	9,756	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D16591	61,868	-	61,868	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D16620	90,447	-	90,447	-	
			Total CFDA 97.036:	152,315	-	152,315	-	

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The accompanying notes are an integral part of this schedule.

**Pend Oreille County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016**

Washington State Auditor's Office

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E16143	24,263	-	24,263	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15115 / SDEM1417	19,550	-	19,550	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E15191	30,353	-	30,353	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Dept)	Homeland Security Grant Program	97.067	E16158	4,257	-	4,257	-	
Total CFDA 97.067:				54,160	-	54,160	-	
Total Federal Awards Expended:				1,102,026	188,846	1,290,872	-	

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The accompanying notes are an integral part of this schedule.

PEND OREILLE COUNTY, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2016

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as Pend Oreille County's financial statements. The County uses the cash basis of accounting.

NOTE 2 – PROGRAM COST

The amounts shown as current year expenditures represent only the federal portion of the program costs. Actual program costs, including the County's 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.

The amount expended for 2016 for Child Support Superior Court includes \$41 claimed as an indirect cost recovery using an indirect cost rate of 10.10% and \$66 claimed as an indirect cost recovery using an approved indirect cost rate of 12.06% and Child Support Prosecutor includes \$7,442 claimed as an indirect cost recovery using an approved indirect cost rate of 12.06% and Child Support County Clerk includes \$21,424 claimed as an indirect cost recovery using an approved indirect cost rate of 12.06%.

NOTE 4 – INDIRECT COST RATE

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

The amount expended for 2016 for Title II U.S. Dept of Ag/U.S. Forest Service Weed Board Grant includes \$ 1,909 claimed as an indirect cost recovery using an approved indirect cost rate of 12.06%.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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