



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report **Grays Harbor County**

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

**Published September 30, 2015**

**Report No. 1015162**





## Washington State Auditor's Office

September 30, 2015

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

### Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

## TABLE OF CONTENTS

|  |    |
|--|----|
| Federal Summary .....  | 4  |
| Status Of Prior Federal Audit Findings .....   | 6  |
| Independent Auditor's Report On Internal Control Over Financial Reporting And On<br>Compliance And Other Matters Based On An Audit Of Financial Statements Performed In<br>Accordance With Government Auditing Standards ..... | 8  |
| Independent Auditor's Report On Compliance For Each Major Federal Program And On<br>Internal Control Over Compliance In Accordance With OMB Circular A-133.....  | 11 |
| Independent Auditor's Report On Financial Statements .....   | 14 |
| Financial Section.....   | 17 |
| About The State Auditor's Office.....  | 57 |

## FEDERAL SUMMARY

### Grays Harbor County January 1, 2014 through December 31, 2014

The results of our audit of Grays Harbor County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

#### Financial Statements

An unmodified opinion was issued on the financial statements.

##### Internal Control Over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control Over Major Programs:

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

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

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

## Identification of Major Programs:

The following were major programs during the period under audit:

| <u>CFDA No.</u> | <u>Program Title</u>  |
|-----------------|---|
| 20.205          | Highway Planning and Construction Cluster - Highway Planning and Construction |
| 10.557          | Special Supplemental Nutrition Program for Women, Infants and Children        |

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

## STATUS OF PRIOR FEDERAL AUDIT FINDINGS

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of Grays Harbor County. The State Auditor's Office has reviewed the status as presented by the County.

|   |                                    |  |                                  |
|---|------------------------------------|--|----------------------------------|
| <b>Audit Period:</b><br>January 1, 2013 –<br>December 31, 2013  | <b>Report Ref. No.:</b><br>1012545 | <b>Finding Ref. No.: 1</b>             | <b>CFDA Number(s):</b><br>10.665 |
| <b>Federal Program Name and Granting Agency:</b><br>Schools and Roads – Grants to States; U.S. Department of Agriculture, Forest Service  |                                    | <b>Pass-Through Agency Name:</b><br>NA |                                  |
| <b>Finding Caption:</b><br>The County did not have adequate internal controls to ensure compliance with reporting requirements for its Title III, Schools and Roads federal grant.  |                                    |  |                                  |
| <b>Description of Condition:</b><br>The County lacked adequate internal controls to ensure federal reporting requirements were met. The County is required to submit a certification stating that funds expended in the applicable year were used for authorized purposes. This certification is due by February 1 of the year after the funds were spent. At the time of our audit, the 2012 and 2013 certifications had not been submitted. We consider the control deficiency to be a material weakness. |                                    |  |                                  |
| <b>Status of Corrective Action: (check one)</b><br><input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid   |                                    |  |                                  |
| <b>Corrective Action Taken:</b><br><i>The County implemented a new procedure to ensure future certifications are submitted before the February due date. The certification for 2014 was filed January 6, 2015.</i>  |                                    |  |                                  |

|  |                                    |  |                                  |
|--|------------------------------------|--|----------------------------------|
| <b>Audit Period:</b><br>January 1, 2013 –<br>December 31, 2013   | <b>Report Ref. No.:</b><br>1012545 | <b>Finding Ref. No.:</b><br>2                            | <b>CFDA Number(s):</b><br>10.557 |
| <b>Federal Program Name and Granting Agency:</b><br>Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) ; U.S. Department of Agriculture, Food and Nutrition Service   |                                    | <b>Pass-Through Agency Name:</b><br>Department of Health |                                  |
| <b>Finding Caption:</b><br>The County did not have adequate internal controls to ensure compliance with allowable cost principles for its Women, Infants and Children (WIC) program.   |                                    |  |                                  |
| <b>Description of Condition:</b><br>The County Public Health Department did not have adequate internal controls to ensure indirect costs were charged in accordance with the County's approved indirect cost plan. The County developed an indirect cost plan that states the indirect cost rate is to be applied to direct salaries |                                    |  |                                  |

and wages. However, the County Public Health Department applied the indirect cost rate to all direct costs charged to the grant, not just salaries and wages, per the indirect cost plan.

The County overcharged indirect costs to the federal program. We identified questioned costs of \$10,549.

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

☒ Fully Corrected

☐ Partially Corrected

☐ No Corrective Action Taken

☐ Finding is considered no longer valid

**Corrective Action Taken:**

*Procedures were changed to ensure that the proper amounts were being charged to grants. Check 536583 was cut to WIC on 11/26/2014 as a result of the 2013 audit finding. All 2014 federal grants were reviewed and if an over payment had occurred the amount was returned to the program (if the grant period was closed) or current billings adjusted to eliminate the over payment.*

**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**

**Grays Harbor County  
January 1, 2014 through December 31, 2014**

Board of Commissioners  
Grays Harbor County  
Montesano, 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 Grays Harbor County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 28, 2015.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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



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

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

In addition, we noted certain matters that we have reported to the management of the County in a separate letter dated September 28, 2015.

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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



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

September 28, 2015

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

**Grays Harbor County  
January 1, 2014 through December 31, 2014**

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

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

We have audited the compliance of Grays Harbor County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the accompanying Federal Summary.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

September 28, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Grays Harbor County January 1, 2014 through December 31, 2014

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Grays Harbor County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 17.

#### 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, Grays Harbor 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 Grays Harbor County, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Grays Harbor County, as of December 31, 2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



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

September 28, 2015



## **FINANCIAL SECTION**

### **Grays Harbor County January 1, 2014 through December 31, 2014**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2014  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014  
Notes to Financial Statements – 2014

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014

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

|   |                                     | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>001 General Fund</b> | <b>101 Special<br/>Projects</b> |
|---|-------------------------------------|--|-------------------------|---------------------------------|
| <b>Beginning Cash and Investments</b>                   |                                     |  |                         |                                 |
| 30810   | Reserved                            | 31,560,880                                     | -                       | 244,467                         |
| 30880   | Unreserved                          | 6,134,633                                      | 6,134,633               | -                               |
| 388 & 588   | Prior Period Adjustments, Net       | -  | -                       | -                               |
| <b>Operating Revenues</b>                               |                                     |  |                         |                                 |
| 310   | Taxes                               | 25,272,901                                     | 14,421,326              | -                               |
| 320   | Licenses and Permits                | 1,103,732                                      | 1,086,114               | -                               |
| 330   | Intergovernmental Revenues          | 17,794,828                                     | 3,982,505               | 390,264                         |
| 340   | Charges for Goods and Services      | 18,548,502                                     | 2,830,009               | -                               |
| 350   | Fines and Penalties                 | 1,385,674                                      | 1,382,405               | -                               |
| 360   | Miscellaneous Revenues              | 4,920,159                                      | 1,250,496               | 70,028                          |
| Total Operating Revenues:                               |                                     | 69,025,795                                     | 24,952,854              | 460,292                         |
| <b>Operating Expenditures</b>                           |                                     |  |                         |                                 |
| 510   | General Government                  | 15,188,351                                     | 11,030,531              | 1,119                           |
| 520   | Public Safety                       | 14,614,076                                     | 12,868,574              | 53,500                          |
| 530   | Utilities                           | 3,444,839                                      | -                       | -                               |
| 540   | Transportation                      | 11,218,927                                     | -                       | -                               |
| 550   | Natural and Economic<br>Environment | 2,858,538                                      | 539,142                 | 402,849                         |
| 560   | Social Services                     | 13,886,598                                     | 922,078                 | -                               |
| 570   | Culture and Recreation              | 1,179,401                                      | 173,099                 | 138,309                         |
| Total Operating Expenditures:                           |                                     | 62,390,729                                     | 25,533,425              | 595,777                         |
| <b>Net Operating Increase (Decrease):</b>               |                                     | <b>6,635,065</b>                               | <b>(580,570)</b>        | <b>(135,485)</b>                |
| <b>Nonoperating Revenues</b>                            |                                     |  |                         |                                 |
| 370-380, 395 & 398                                      | Other Financing Sources             | 5,623,109                                      | 895,275                 | -                               |
| 391-393   | Debt Proceeds                       | 625,331  | -                       | -                               |
| 397   | Transfers-In                        | 3,896,163                                      | 189,290                 | 96,093                          |
| Total Nonoperating Revenues:                            |                                     | 10,144,603                                     | 1,084,565               | 96,093                          |
| <b>Nonoperating Expenditures</b>                        |                                     |  |                         |                                 |
| 580, 596 & 599  | Other Financing Uses                | 301,402  | 50,269                  | -                               |
| 591-593   | Debt Service                        | 1,577,475                                      | -                       | -                               |
| 594-595   | Capital Expenditures                | 4,706,394                                      | 13,592                  | -                               |
| 597   | Transfers-Out                       | 3,896,163                                      | 903,718                 | -                               |
| Total Nonoperating Expenditures:                        |                                     | 10,481,433                                     | 967,578                 | -                               |
| <b>Net Increase (Decrease) in Cash and Investments:</b> |                                     | <b>6,298,234</b>                               | <b>(463,584)</b>        | <b>(39,392)</b>                 |
| <b>Ending Cash and Investments</b>                      |                                     |  |                         |                                 |
| 50810   | Reserved                            | 38,322,700                                     | -                       | 205,074                         |
| 50880   | Unreserved                          | 5,671,050                                      | 5,671,050               | -                               |

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

| <b>102 Auditor's M &amp;<br/>O</b> | <b>103 Fair Event</b> | <b>104 Trial Court<br/>Improvement</b> | <b>105 Paths &amp;<br/>Trails</b> | <b>106 Law Library</b> | <b>107 Affordable<br/>Housing</b> |
|------------------------------------|-----------------------|--|-----------------------------------|------------------------|-----------------------------------|
| 211,873                            | 29,338                | 144,154                                | 36,363                            | 3,443                  | 504,738                           |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| 55,296                             | 40,631                | -                                      | 11,359                            | -                      | -                                 |
| 41,406                             | 275,673               | 47,845                                 | -                                 | 33,018                 | 61,252                            |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| 18                                 | 319,699               | -                                      | 24                                | -                      | 290                               |
| 96,721                             | 636,004               | 47,845                                 | 11,384                            | 33,018                 | 61,542                            |
| 49,388                             | -                     | 54,853                                 | -                                 | 37,138                 | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | 638,896               | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | 771,751               | -                                      | -                                 | -                      | -                                 |
| 49,388                             | 1,410,646             | 54,853                                 | -                                 | 37,138                 | -                                 |
| <b>47,333</b>                      | <b>(774,643)</b>      | <b>(7,008)</b>                         | <b>11,384</b>                     | <b>(4,120)</b>         | <b>61,542</b>                     |
| 15,000                             | 50,000                | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | 786,393               | -                                      | -                                 | 5,000                  | -                                 |
| 15,000                             | 836,393               | -                                      | -                                 | 5,000                  | -                                 |
| -                                  | 50,000                | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |
| 7,158                              | -                     | -                                      | -                                 | -                      | -                                 |
| -                                  | -                     | -                                      | 34,640                            | -                      | -                                 |
| 7,158                              | 50,000                | -                                      | 34,640                            | -                      | -                                 |
| <b>55,175</b>                      | <b>11,750</b>         | <b>(7,008)</b>                         | <b>(23,256)</b>                   | <b>880</b>             | <b>61,542</b>                     |
| 267,048                            | 41,088                | 137,146                                | 13,107                            | 4,323                  | 566,281                           |
| -                                  | -                     | -                                      | -                                 | -                      | -                                 |

The accompanying notes are an integral part of this statement.

| <b>108 Sheriff's Law<br/>Enforcement</b> | <b>109 Crime Victim<br/>Penalty Assm</b> | <b>110 Roads</b>  | <b>111 Treasurer's M<br/>&amp; O</b> | <b>112 Stadium &amp;<br/>Tourism</b> | <b>114 Veterans<br/>Relief</b> |
|--|--|-------------------|--------------------------------------|--------------------------------------|--------------------------------|
| 117,750                                  | 1,999                                    | 1,335,830         | 269,136                              | 964,973                              | 89,205                         |
| -  | -  | -                 | -                                    | -                                    | -                              |
| -  | -  | -                 | -                                    | -                                    | -                              |
| -  | -  | 5,945,037         | 15,400                               | 1,198,583                            | 1,316                          |
| -  | -  | 1,050             | -                                    | -                                    | -                              |
| 11,888                                   | 37,492                                   | 6,989,005         | -                                    | -                                    | 123                            |
| -  | 40,515                                   | 206,256           | 115,558                              | -                                    | -                              |
| -  | 703                                      | -                 | -                                    | -                                    | -                              |
| -  | -  | 76,053            | -                                    | 222                                  | 0                              |
| <b>11,888</b>                            | <b>78,710</b>                            | <b>13,217,401</b> | <b>130,958</b>                       | <b>1,198,806</b>                     | <b>1,439</b>                   |
| -  | 95,047                                   | 108,738           | 114,728                              | -                                    | -                              |
| 12,099                                   | -  | -                 | -                                    | -                                    | -                              |
| -  | -  | -                 | -                                    | -                                    | -                              |
| -  | -  | 9,258,376         | -                                    | -                                    | -                              |
| -  | -  | -                 | -                                    | 53,402                               | -                              |
| -  | -  | -                 | -                                    | -                                    | 45,292                         |
| -  | -  | -                 | -                                    | -                                    | -                              |
| <b>12,099</b>                            | <b>95,047</b>                            | <b>9,367,113</b>  | <b>114,728</b>                       | <b>53,402</b>                        | <b>45,292</b>                  |
| <b>(211)</b>                             | <b>(16,337)</b>                          | <b>3,850,287</b>  | <b>16,230</b>                        | <b>1,145,404</b>                     | <b>(43,853)</b>                |
| -  | -  | 1,825,637         | -                                    | (8,795)                              | -                              |
| -  | -  | -                 | -                                    | -                                    | -                              |
| -  | 19,000                                   | 151,251           | -                                    | -                                    | -                              |
| -  | 19,000                                   | 1,976,888         | -                                    | (8,795)                              | -                              |
| -  | -  | -                 | -                                    | -                                    | -                              |
| -  | -  | -                 | -                                    | -                                    | -                              |
| -  | -  | 3,026,412         | -                                    | 124,484                              | -                              |
| -  | -  | 8,643             | -                                    | 1,062,831                            | -                              |
| -  | -  | 3,035,055         | -                                    | 1,187,315                            | -                              |
| <b>(211)</b>                             | <b>2,663</b>                             | <b>2,792,120</b>  | <b>16,230</b>                        | <b>(50,706)</b>                      | <b>(43,853)</b>                |
| 117,540                                  | 4,662                                    | 4,127,951         | 285,366                              | 914,267                              | 45,352                         |
| -  | -  | -                 | -                                    | -                                    | -                              |

The accompanying notes are an integral part of this statement.

| <b>116 Election Reserve</b> | <b>117 Ab Landfill Postclosure</b> | <b>118 ORV Park</b> | <b>129 Public Health &amp; Social Svcs</b> | <b>130 RE Excise Tax Technology</b> | <b>131 Tax Refund</b> |
|-----------------------------|------------------------------------|---------------------|--|-------------------------------------|-----------------------|
| 33,991                      | 1,485,313                          | 10,669              | 1,145,391                                  | 144,838                             | 14,284                |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | 5,775                                      | -                                   | -                     |
| -                           | -                                  | 78,115              | 1,890,382                                  | -                                   | -                     |
| 56,248                      | -                                  | -                   | 1,035,041                                  | -                                   | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | 8,828                              | 25,200              | 155,984                                    | -                                   | -                     |
| 56,248                      | 8,828                              | 103,315             | 3,087,182                                  | -                                   | -                     |
| 10,099                      | -                                  | -                   | 649,014                                    | 3,700                               | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | 172,291                            | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | 3,102,494                                  | -                                   | -                     |
| -                           | -                                  | 96,242              | -  | -                                   | -                     |
| 10,099                      | 172,291                            | 96,242              | 3,751,509                                  | 3,700                               | -                     |
| <b>46,149</b>               | <b>(163,463)</b>                   | <b>7,073</b>        | <b>(664,326)</b>                           | <b>(3,700)</b>                      | -                     |
| -                           | 162,911                            | -                   | -  | -                                   | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| -                           | -                                  | 119,519             | 705,783                                    | -                                   | -                     |
| -                           | 162,911                            | 119,519             | 705,783                                    | -                                   | -                     |
| 15,000                      | -                                  | -                   | -  | -                                   | -                     |
| 18                          | -                                  | -                   | -  | -                                   | -                     |
| 3,718                       | 21,006                             | 79,042              | 3,816                                      | 9,025                               | -                     |
| -                           | -                                  | -                   | -  | -                                   | -                     |
| 18,736                      | 21,006                             | 79,042              | 3,816                                      | 9,025                               | -                     |
| <b>27,413</b>               | <b>(21,558)</b>                    | <b>47,550</b>       | <b>37,641</b>                              | <b>(12,725)</b>                     | -                     |
| 61,404                      | 1,463,756                          | 58,218              | 1,183,032                                  | 132,113                             | 14,284                |
| -                           | -                                  | -                   | -  | -                                   | -                     |

The accompanying notes are an integral part of this statement.

| <b>132<br/>Excise/Revaluation</b> | <b>135 Emergency<br/>Communications</b> | <b>139 Chem<br/>Dep/MH/Therap<br/>Court</b> | <b>140 Mental Health</b> | <b>145 Homeless<br/>Housing</b> | <b>201 LTGO<br/>Refunding Bonds<br/>2012</b> |
|-----------------------------------|---|---|--------------------------|---------------------------------|--|
| -                                 | -                                       | 2,966,049                                   | 9,661,113                | 1,854,233                       | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | 1,679,755                               | 931,663                                     | -                        | -                               | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| 9,842                             | -                                       | -   | 2,575,368                | 1,144,429                       | -  |
| 9,023                             | -                                       | -   | 7,470,745                | 314,187                         | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | 147                                     | 1,886                                       | 5,049                    | 1,557                           | -  |
| 18,864                            | 1,679,903                               | 933,549                                     | 10,051,162               | 1,460,173                       | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | 1,679,903                               | -   | -                        | -                               | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | -                                       | -   | -                        | 82,397                          | -  |
| -                                 | -                                       | 88,468                                      | 8,269,650                | 1,458,616                       | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | 1,679,903                               | 88,468                                      | 8,269,650                | 1,541,012                       | -  |
| <b>18,864</b>                     | <b>(0)</b>                              | <b>845,081</b>                              | <b>1,781,512</b>         | <b>(80,840)</b>                 | <b>-</b>                                     |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | -                                       | -   | 78,050                   | -                               | 747,189                                      |
| -                                 | -                                       | -   | 78,050                   | -                               | 747,189                                      |
| -                                 | -                                       | -   | 21,881                   | -                               | -  |
| -                                 | -                                       | -   | -                        | -                               | 747,189                                      |
| -                                 | -                                       | -   | -                        | -                               | -  |
| -                                 | -                                       | 180,516                                     | 45,800                   | -                               | -  |
| -                                 | -                                       | 180,516                                     | 67,681                   | -                               | 747,189                                      |
| <b>18,864</b>                     | <b>(0)</b>                              | <b>664,565</b>                              | <b>1,791,881</b>         | <b>(80,840)</b>                 | <b>(0)</b>                                   |
| 18,864                            | -                                       | 3,630,614                                   | 11,452,995               | 1,773,393                       | -  |
| -                                 | -                                       | -   | -                        | -                               | -  |

The accompanying notes are an integral part of this statement.

| 206 LOCAL<br>Program Fin-<br>Energy | 207 LOCAL<br>Program Fin-Jail<br>Sec | 301 Facilities<br>Capital | 302 Software<br>Replacement<br>Reserve | 303 Fair Bldg<br>Construction | 307 Cumula Res<br>Construction |
|-------------------------------------|--------------------------------------|---------------------------|--|-------------------------------|--------------------------------|
| -                                   | -                                    | 3                         | -                                      | 65,916                        | 779,940                        |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | 255,207                   | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | 1,276                         | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | 5                                      | 10,498                        | 179,851                        |
| -                                   | -                                    | 255,207                   | 5                                      | 11,774                        | 179,851                        |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |
| -                                   | -                                    | 255,207                   | 5                                      | 11,774                        | 179,851                        |
| -                                   | -                                    | -                         | -                                      | 62,276                        | 450,000                        |
| -                                   | -                                    | 625,331                   | -                                      | -                             | -                              |
| 45,250                              | 37,916                               | 263,272                   | -                                      | 98,678                        | 314,418                        |
| 45,250                              | 37,916                               | 888,603                   | -                                      | 160,954                       | 764,418                        |
| -                                   | -                                    | 19,831                    | -                                      | 93,081                        | -                              |
| 45,250                              | 37,916                               | 598                       | -                                      | 5,598                         | -                              |
| -                                   | -                                    | 691,653                   | -                                      | -                             | -                              |
| -                                   | -                                    | 363,164                   | -                                      | -                             | 692,851                        |
| 45,250                              | 37,916                               | 1,075,245                 | -                                      | 98,678                        | 692,851                        |
| (0)                                 | 0                                    | 68,564                    | 5                                      | 74,049                        | 251,418                        |
| -                                   | -                                    | 68,567                    | 5                                      | 139,965                       | 1,031,358                      |
| -                                   | -                                    | -                         | -                                      | -                             | -                              |

The accompanying notes are an integral part of this statement.

| 309 Capital<br>Improvements | 310 Distressed<br>Area Capital | 401 Solid Waste | 402 Hogan's<br>Corner Water<br>System | 403 Tax Title<br>Management | 404 PB Sewer<br>M&O |
|-----------------------------|--------------------------------|-----------------|---------------------------------------|-----------------------------|---------------------|
| 332,159                     | 1,372,679                      | 845,873         | 179,483                               | 2,656,688                   | 1,271,249           |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | -                              | -               | -                                     | -                           | -                   |
| 228,819                     | 844,966                        | -               | -                                     | 6,030                       | -                   |
| -                           | -                              | -               | -                                     | 10,794                      | -                   |
| -                           | -                              | 322,921         | -                                     | -                           | -                   |
| -                           | 2,700                          | 1,926,756       | 233,757                               | -                           | 556,858             |
| -                           | -                              | -               | -                                     | -                           | 2,566               |
| 27                          | 483                            | 3,407           | 226                                   | 172,186                     | 84,890              |
| 228,846                     | 848,150                        | 2,253,084       | 233,983                               | 189,009                     | 644,314             |
| -                           | -                              | 1,515           | -                                     | -                           | -                   |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | -                              | 2,133,259       | 110,548                               | -                           | 517,132             |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | 74,102                         | -               | -                                     | 1,067,750                   | -                   |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | 74,102                         | 2,134,773       | 110,548                               | 1,067,750                   | 517,132             |
| 228,846                     | 774,048                        | 118,311         | 123,435                               | (878,741)                   | 127,182             |
| -                           | -                              | -               | -                                     | 2,044,586                   | 100,000             |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | -                              | -               | 50,000                                | -                           | 79,062              |
| -                           | -                              | -               | 50,000                                | 2,044,586                   | 179,062             |
| -                           | -                              | -               | -                                     | -                           | -                   |
| -                           | 120,831                        | -               | 158,694                               | -                           | 460,005             |
| -                           | -                              | -               | -                                     | 281,947                     | -                   |
| 195,078                     | 395,528                        | -               | -                                     | 4,797                       | 4,027               |
| 195,078                     | 516,360                        | -               | 158,694                               | 286,744                     | 464,032             |
| 33,768                      | 257,689                        | 118,311         | 14,741                                | 879,101                     | (157,788)           |
| 365,926                     | 1,630,367                      | 964,183         | 194,225                               | 3,535,790                   | 1,113,461           |
| -                           | -                              | -               | -                                     | -                           | -                   |

The accompanying notes are an integral part of this statement.



| <b>405 PB/Moclips<br/>Water Sys M&amp;O</b> | <b>406 North Beach<br/>Water System</b> | <b>501 Equip Rental<br/>&amp; Revolving</b> | <b>503 Central<br/>Services</b> | <b>504 Management<br/>Services</b> |
|---|---|---|---------------------------------|------------------------------------|
| 605,671                                     | 48,238                                  | 1,136,526                                   | 547,374                         | 449,932                            |
| -   | -                                       | -   | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| 5   | -                                       | -   | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| 457,724                                     | 86,074                                  | 650,643                                     | 994,167                         | 1,101,769                          |
| -   | -                                       | -   | -                               | -                                  |
| 2,677                                       | 284                                     | 2,519,062                                   | 30,837                          | 244                                |
| 460,406                                     | 86,358                                  | 3,169,706                                   | 1,025,004                       | 1,102,013                          |
| -   | -                                       | 901,439                                     | 955,704                         | 1,175,338                          |
| -   | -                                       | -   | -                               | -                                  |
| 433,806                                     | 77,803                                  | -   | -                               | -                                  |
| -   | -                                       | 1,960,551                                   | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| 433,806                                     | 77,803                                  | 2,861,990                                   | 955,704                         | 1,175,338                          |
| <b>26,600</b>                               | <b>8,555</b>                            | <b>307,716</b>                              | <b>69,300</b>                   | <b>(73,325)</b>                    |
| -   | -                                       | 26,220                                      | -                               | -                                  |
| -   | -                                       | -   | -                               | -                                  |
| -   | -                                       | -   | 50,000                          | 60,000                             |
| -   | -                                       | 26,220                                      | 50,000                          | 60,000                             |
| -   | -                                       | 1,341                                       | 50,000                          | -                                  |
| -   | -                                       | -   | 1,375                           | -                                  |
| 38,360                                      | -                                       | 279,712                                     | 126,471                         | -                                  |
| -   | -                                       | 4,570                                       | -                               | -                                  |
| 38,360                                      | -                                       | 285,623                                     | 177,846                         | -                                  |
| <b>(11,760)</b>                             | <b>8,555</b>                            | <b>48,313</b>                               | <b>(58,546)</b>                 | <b>(13,325)</b>                    |
| 593,911                                     | 56,792                                  | 1,184,838                                   | 488,827                         | 436,607                            |
| -   | -                                       | -   | -                               | -                                  |

The accompanying notes are an integral part of this statement.

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

|           |  | <b>Total for All Funds<br/>(Memo Only)</b> | <b>621 Personal<br/>Property Trust</b> | <b>627 Treasurer's<br/>Trust</b> | <b>636 Court Trust<br/>Funds</b> |
|-----------|--|--|--|----------------------------------|----------------------------------|
| 308       | Beginning Cash and Investments                   | 1,979,642                                  | 222                                    | 1,249,928                        | 148,229                          |
| 388 & 588 | Prior Period Adjustments, Net                    | -  | -                                      | -                                | -                                |
| 310-360   | Revenues   | 14,324,155                                 | -                                      | -                                | -                                |
| 380-390   | Other Increases and Financing Sources            | 12,361,743                                 | -                                      | 2,649,172                        | 3,676,768                        |
| 510-570   | Expenditures                                     | 78,889                                     | -                                      | -                                | -                                |
| 580-590   | Other Decreases and Financing Uses               | 26,173,096                                 | -                                      | 2,552,916                        | 3,422,209                        |
|           | Net Increase (Decrease) in Cash and Investments: | 433,913                                    | -                                      | 96,256                           | 254,559                          |
| 508       | Ending Cash and Investments                      | 2,413,556                                  | 222                                    | 1,346,184                        | 402,787                          |

|           |  | <b>637 Inmate Trust<br/>Fund</b> | <b>642 Interagency<br/>Drug Taskforce</b> | <b>649 Boating Safety<br/>Reg Fees</b> | <b>652 State Of<br/>Washington</b> |
|-----------|--|----------------------------------|---|--|------------------------------------|
| 308       | Beginning Cash and Investments                   | 14,727                           | 72,607                                    | 63,871                                 | 359,394                            |
| 388 & 588 | Prior Period Adjustments, Net                    | -                                | -   | -                                      | -                                  |
| 310-360   | Revenues   | -                                | 24,883                                    | -                                      | 14,299,183                         |
| 380-390   | Other Increases and Financing Sources            | 229,252                          | 60,000                                    | 20,114                                 | 2,972,866                          |
| 510-570   | Expenditures                                     | -                                | 78,889                                    | -                                      | -                                  |
| 580-590   | Other Decreases and Financing Uses               | 225,110                          | 4,300                                     | 26,480                                 | 17,229,379                         |
|           | Net Increase (Decrease) in Cash and Investments: | 4,142                            | 1,694                                     | (6,366)                                | 42,670                             |
| 508       | Ending Cash and Investments                      | 18,870                           | 74,301                                    | 57,506                                 | 402,064                            |

|           |  | <b>676 Real Estate<br/>Excise - State</b> |  |  |
|-----------|--|---|--|--|
| 308       | Beginning Cash and Investments                   | 70,664                                    |  |  |
| 388 & 588 | Prior Period Adjustments, Net                    | -   |  |  |
| 310-360   | Revenues   | 90  |  |  |
| 380-390   | Other Increases and Financing Sources            | 2,753,570                                 |  |  |
| 510-570   | Expenditures                                     | -   |  |  |
| 580-590   | Other Decreases and Financing Uses               | 2,712,703                                 |  |  |
|           | Net Increase (Decrease) in Cash and Investments: | 40,957                                    |  |  |
| 508       | Ending Cash and Investments                      | 111,622                                   |  |  |

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

**GRAYS HARBOR COUNTY, WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 1 – Summary of Significant Accounting Policies**

Grays Harbor County was incorporated on May 15, 1915 and operates under the laws of the state of Washington applicable to a county government. The County is a general purpose government and provides the following services: public safety, road improvement, solid waste management, planning and zoning, parks and recreation, judicial administration, health and social services and general administrative services. In addition, the County owns and operates a water and sewer system.

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

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

**A. Fund Accounting**

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 (Current Expense) Fund**

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

### Special Revenue Funds

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

### Debt Service Funds

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

### Capital Projects Funds

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

### PROPRIETARY FUND TYPES:

#### Enterprise Funds

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

#### Internal Service Funds

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

### FIDUCIARY FUND TYPES:

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

#### Private-Purpose Trust Funds

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

#### Agency Funds

These funds are used to account assets that the government 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 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:

| <b>Fund/Department</b>                 | <b>Final<br/>Appropriated<br/>Amounts</b> | <b>Actual<br/>Expenditures</b> | <b>Variance</b> |
|--|---|--------------------------------|-----------------|
| <b><i>General Fund:</i></b>            |   |                                |                 |
| <b>Assessor<sup>[2]</sup></b>          | \$1,299,148                               | \$1,292,061                    | \$7,087         |
| <b>Auditor<sup>[2]</sup></b>           | 833,332                                   | 828,765                        | 4,567           |
| <b>Board Of Equalization</b>           | 50,186                                    | 45,224                         | 4,962           |
| <b>Civil Service</b>                   | 22,727                                    | 20,068                         | 2,659           |
| <b>Clerk</b>                           | 677,683                                   | 676,011                        | 1,672           |
| <b>Commissioners</b>                   | 504,899                                   | 489,592                        | 15,307          |
| <b>Environmental Health</b>            | 691,701                                   | 686,300                        | 5,401           |
| <b>Coroner</b>                         | 275,137                                   | 235,878                        | 39,259          |
| <b>Facility Services<sup>[2]</sup></b> | 1,126,587                                 | 1,095,375                      | 31,212          |
| <b>Disability</b>                      | 7,803                                     | 6,782                          | 1,021           |
| <b>Boundary Review Board</b>           | 7,642                                     | 5,985                          | 1,657           |
| <b>WSU Extension</b>                   | 195,796                                   | 192,270                        | 3,526           |
| <b>District Court</b>                  | 1,270,778                                 | 1,235,651                      | 35,127          |
| <b>Juvenile</b>                        | 2,382,603                                 | 2,354,670                      | 27,933          |
| <b>Planning &amp; Building</b>         | 1,082,754                                 | 931,532                        | 151,222         |
| <b>Prosecutor<sup>[2]</sup></b>        | 2,309,987                                 | 2,247,690                      | 62,297          |
| <b>Security</b>                        | 361,910                                   | 334,455                        | 27,455          |
| <b>Sheriff/Jail</b>                    | 10,109,835                                | 9,855,980                      | 253,855         |
| <b>Superior Court</b>                  | 812,841                                   | 804,702                        | 8,139           |
| <b>Treasurer</b>                       | 572,732                                   | 555,099                        | 17,633          |

| Fund/Department                           | Final<br>Appropriated<br>Amounts | Actual<br>Expenditures | Variance         |
|---|----------------------------------|------------------------|------------------|
| Public Defense                            | 1,348,238                        | 1,336,936              | 11,302           |
| Park & Vegetation Mgmt <sup>[2]</sup>     | 23,760                           | 21,161                 | 2,599            |
| Advanced Expenditure <sup>[2]</sup>       | 200,000                          | 186,295                | 13,705           |
| Non-Departmental                          | 1,414,768                        | 1,168,883              | 245,885          |
| <b>Total General Fund<sup>[2]</sup></b>   | <b>\$27,582,847</b>              | <b>\$26,607,362</b>    | <b>\$975,485</b> |
| <b>Miscellaneous Funds:</b>               |                                  |                        |                  |
| Special Projects                          | \$2,266,848                      | \$595,777              | \$1,671,071      |
| Auditor's M&O                             | 72,564                           | 56,546                 | 16,018           |
| Fair Event <sup>[1] [2]</sup>             | 481,475                          | 470,197                | 11,278           |
| Pavilion <sup>[1]</sup>                   | 264,059                          | 253,201                | 10,858           |
| Interim Events <sup>[1]</sup>             | 114,920                          | 98,352                 | 16,568           |
| Recreation & Activities <sup>[1]</sup>    | 693,269                          | 662,896                | 30,374           |
| Trial Court Improvement                   | 56,380                           | 54,853                 | 1,527            |
| Path & Trails                             | 35,000                           | 34,640                 | 360              |
| Law Library                               | 37,305                           | 37,138                 | 167              |
| Affordable Housing                        | 53,000                           | 0                      | 53,000           |
| Sheriff's Law Enforcement <sup>[1]</sup>  | 21,000                           | 0                      | 21,000           |
| Federal Equitable Sharing <sup>[1]</sup>  | 127,969                          | 12,099                 | 115,870          |
| Crime Victim Penalty Assm                 | 91,921                           | 77,771                 | 14,150           |
| Roads                                     | 15,138,072                       | 12,402,168             | 2,735,904        |
| Treasurer's M&O                           | 118,000                          | 114,728                | 3,272            |
| Stadium <sup>[1]</sup>                    | 531,230                          | 462,055                | 69,175           |
| Tourism <sup>[1]</sup>                    | 849,269                          | 778,662                | 70,607           |
| Veterans Relief                           | 45,762                           | 45,292                 | 470              |
| Election Reserve                          | 51,495                           | 28,836                 | 22,659           |
| Aberdeen Landfill Post-Closure            | 235,100                          | 193,296                | 41,804           |
| ORV Park                                  | 536,171                          | 175,284                | 360,887          |
| Public Health & Social Services           | 4,203,511                        | 3,755,324              | 448,187          |
| Real Estate Exc Tax Technology            | 60,000                           | 12,725                 | 47,275           |
| Emergency Communications Tax              | 1,800,000                        | 1,679,903              | 120,097          |
| Chem Dep/MH/Therapy Court                 | 1,457,300                        | 268,984                | 1,188,316        |
| Mental Health <sup>[1]</sup>              | 8,551,285                        | 7,253,611              | 1,297,674        |
| Substance Abuse <sup>[1]</sup>            | 394,600                          | 386,729                | 7,871            |
| Developmental Disabilities <sup>[1]</sup> | 694,700                          | 651,191                | 43,509           |
| MH/DDD Levy Tax <sup>[1]</sup>            | 83,000                           | 45,800                 | 37,200           |
| Homeless Housing                          | 2,119,413                        | 1,541,012              | 578,401          |
| LTGO Refunding Bonds 2012                 | 747,388                          | 747,189                | 199              |
| LOCAL Program Fin-Energy                  | 45,750                           | 45,250                 | 500              |

| Fund/Department                                       | Final<br>Appropriated<br>Amounts | Actual<br>Expenditures | Variance            |
|---|----------------------------------|------------------------|---------------------|
| <b>LOCAL Program Fin-Jail Security</b>                | 38,415                           | 37,916                 | 499                 |
| <b>Facilities Capital</b>                             | 1,538,447                        | 1,075,245              | 463,202             |
| <b>Fair Bldg Construction</b>                         | 140,000                          | 98,678                 | 41,322              |
| <b>Cumula Res Construction</b>                        | 823,000                          | 692,851                | 130,149             |
| <b>Capital Improvements</b>                           | 198,097                          | 195,078                | 3,019               |
| <b>Distressed Area Capital</b>                        | 905,981                          | 590,462                | 315,519             |
| <b>Solid Waste Plan</b>                               | 4,522,330                        | 2,134,773              | 2,387,557           |
| <b>Hogan's Corner Water System</b>                    | 302,134                          | 269,242                | 32,892              |
| <b>Tax Title Management</b>                           | 1,643,203                        | 1,354,494              | 288,709             |
| <b>PB Sewer M&amp;O<sup>[1]</sup></b>                 | 898,298                          | 802,015                | 96,283              |
| <b>PB Sewer Bond ULID #7<sup>[1]</sup></b>            | 95,315                           | 95,292                 | 23                  |
| <b>PB Sewer Bond ULID #8<sup>[1]</sup></b>            | 84,000                           | 83,857                 | 143                 |
| <b>PB/Moclips Water Sys M&amp;O<sup>[1] [2]</sup></b> | 573,364                          | 472,166                | 101,198             |
| <b>PB/Moclips Water Sys Bond<sup>[1] [2]</sup></b>    | 50                               | 13                     | 37                  |
| <b>North Beach Water System</b>                       | 109,434                          | 77,803                 | 31,631              |
| <b>Equip Rental &amp; Revolving<sup>[1] [2]</sup></b> | 3,951,485                        | 3,375,807              | 575,678             |
| <b>E R &amp; R Replacement<sup>[1] [2]</sup></b>      | 250,000                          | 158,036                | 91,964              |
| <b>Central Services<sup>[1] [2]</sup></b>             | 1,136,856                        | 1,074,431              | 62,425              |
| <b>C S Replacement<sup>[1] [2]</sup></b>              | 75,000                           | 69,120                 | 5,880               |
| <b>Management Services</b>                            | 1,345,174                        | 1,175,338              | 169,836             |
| <b>Total Miscellaneous Funds</b>                      | <b>\$60,608,339</b>              | <b>\$46,774,127</b>    | <b>\$13,834,212</b> |
| <b>County Totals</b>                                  | <b>\$88,191,186</b>              | <b>\$73,381,489</b>    | <b>\$14,809,697</b> |

<sup>[1]</sup> The Budget does not reflect the consolidation of managerial funds contained in the Financial Statements.

<sup>[2]</sup> The Budget does not reflect the intra fund transfer eliminations contained in the Financial Statements.

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.

The following funds had amendments to their appropriated budgets during 2014:

| Fund                                  | Original<br>Appropriation | Amendments         | Final<br>Appropriation |
|---------------------------------------|---------------------------|--------------------|------------------------|
| <b><u>General Fund</u></b>            | \$26,263,315              | \$1,319,532        | \$27,582,847           |
| <b><u>Miscellaneous Funds</u></b>     |                           |                    |                        |
| Special Projects                      | \$2,235,136               | \$31,712           | \$2,266,848            |
| Auditor's M&O                         | 72,400                    | 164                | 72,564                 |
| Fair Event                            | 441,241                   | 40,234             | 481,475                |
| Pavilion & Grounds                    | 257,734                   | 6,325              | 264,059                |
| Interim Events                        | 118,984                   | (4,064)            | 114,920                |
| Recreation & Activities               | 580,440                   | 112,829            | 693,269                |
| Trial Court Improvement               | 51,180                    | 5,200              | 56,380                 |
| Law Library                           | 37,233                    | 72                 | 37,305                 |
| Crime Victim Penalty Assm             | 91,351                    | 570                | 91,921                 |
| Roads                                 | 17,211,000                | (2,072,928)        | 15,138,072             |
| Treasurer's M&O                       | 48,000                    | 70,000             | 118,000                |
| Stadium                               | 311,730                   | 219,500            | 531,230                |
| Tourism                               | 732,440                   | 116,829            | 849,269                |
| Veterans Relief                       | 44,662                    | 1,100              | 45,762                 |
| ORV Park                              | 385,171                   | 151,000            | 536,171                |
| Public Health & Social Services       | 4,023,911                 | 179,600            | 4,203,511              |
| Emergency Communications Tax          | 1,495,800                 | 304,200            | 1,800,000              |
| Chem Dep/MH/Therapy Court             | 1,382,200                 | 75,100             | 1,457,300              |
| Homeless Housing                      | 480,000                   | 1,639,413          | 2,119,413              |
| Facilities Capital                    | 1,438,447                 | 100,000            | 1,538,447              |
| Cumula Res Construction               | 523,000                   | 300,000            | 823,000                |
| Distressed Area Capital               | 789,370                   | 116,611            | 905,981                |
| Hogan's Corner Water System           | 281,134                   | 21,000             | 302,134                |
| Tax Title Management                  | 1,527,396                 | 115,807            | 1,643,203              |
| PB Sewer M&O                          | 829,798                   | 68,500             | 898,298                |
| PB/Moclips Water Sys M&O              | 543,364                   | 30,000             | 573,364                |
| ER&R Replacement                      | 0                         | 250,000            | 250,000                |
| Central Services                      | 1,111,761                 | 25,095             | 1,136,856              |
| C S Replacement                       | 0                         | 75,000             | 75,000                 |
| Management Services                   | 1,324,701                 | 20,473             | 1,345,174              |
| <b>Total Miscellaneous Amendments</b> | <b>\$38,369,584</b>       | <b>\$1,999,342</b> | <b>\$40,368,926</b>    |
| <b>Total Amendments</b>               | <b>\$64,632,899</b>       | <b>\$3,318,874</b> | <b>\$67,951,773</b>    |



Material budget amendments made during the year are described as follows:

1. **Roads**: Resolution #2014-021: Decrease beginning cash (\$1,572,928) to actual as of January 1, 2014; Decrease real and personal property taxes (\$500,000) for the levy shift.
2. **Homeless Housing**: Resolution #2014-006 and #2014-036; Housing grants from Department of Commerce.

**D. Cash and Investments** - See Note 2, *Deposits and Investments*

**E. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$2,500 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 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees may receive payment for unused sick leave. Maximum allowable accrual for vacation and unused sick leave payment is set by union contract. Payments are recognized as expenditures when paid.

**G. Long-Term Debt** - See Note 5, *Debt Service Requirements*

**H. Other Financing Sources or Uses**

The County's *Other Financing Sources or Uses* consist of the sale of County timber, sale of fixed assets, insurance recoveries, interfund loan proceeds and repayments, intergovernmental loan proceeds and repayments.

**I. Risk Management** - See Note 8, *Risk Management*

**J. Reserved Portion of Ending Cash and Investments**

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

The Board of County Commissioner's has the authority, by ordinance or resolution to establish, modify or rescind an internal fund balance commitment.

Reservations of Ending Cash and Investments consist of:

| <b>Fund/Fund Name</b>                                   | <b>Specific Purpose</b>   | <b>Amount</b> |
|---|---|---------------|
| <b>101 - Special Projects</b>                           | Reserved for grant projects and special projects as designated by the Board of County Commissioners   | \$205,075     |
| <b>102 - Auditor's M&amp;O</b>                          | Restricted per RCW 36.22.170 and Resolution 89-64, installation and maintenance of an improved system   | 267,047       |
| <b>103 - County Fair</b>                                | Reserved for fair operations  | 41,087        |
| <b>104 - Trial Court Improvement</b>                    | Restricted per RCW 3.58.060   | 137,146       |
| <b>105 - Paths &amp; Trails</b>                         | Restricted per RCW 47.30  | 13,106        |
| <b>106 - Law Library</b>                                | Restricted per RCW 27.24.010 & 070  | 4,323         |
| <b>107 - Affordable Housing</b>                         | Restricted per RCW 36.22 and Resolution 2002-43, funds to be used for very low income housing projects  | 566,280       |
| <b>108 - Sheriff's Law Enforcement</b>                  | Reserved for eligible law enforcement expenses per applicable regulations   | 117,539       |
| <b>109 - Crime Victim Penalty</b>                       | Restricted per RCW 7.69   | 4,663         |
| <b>110 - Roads</b>                                      | Restricted per RCW 36.82.010  | 4,127,952     |
| <b>111 - Treasurer's M&amp;O</b>                        | Restricted per RCW 84.56.020  | 285,366       |
| <b>112 - Stadium/Tourism</b>                            | Restricted per RCW 67.28 & Ordinance 98-248   | 914,268       |
| <b>114 - Veteran's Relief</b>                           | Restricted per RCW 73.08.080  | 45,352        |
| <b>116 - Election Reserve</b>                           | Reserved for expenses associated with conducting regular and special state and county elections, including maintenance and equipment replacement  | 61,404        |
| <b>117 - Aberdeen Landfill Postclosure</b>              | Reserved for post closure care and monitoring of landfill facilities  | 1,463,755     |
| <b>118 - ORV Park</b>                                   | Reserved for Straddleline ORV Park operations   | 58,219        |
| <b>129 - Public Health</b>                              | Reserved for the administration of Public Health & Social Services  | 1,183,032     |
| <b>130 - REET Electronic Technology</b>                 | Reserved for development, implementation and maintenance of electronic process and reporting system for the real estate excise tax affidavits   | 132,113       |
| <b>131 - Tax Refund</b>                                 | Reserved for refunding of over levied taxes   | 14,284        |
| <b>132 - Excise/Revaluation Maintenance</b>             | Restricted per RCW 82.45.180(5)(c) and Resolution 2014-14 for maintenance and operation of annual revaluation system for property tax valuation and for the maintenance and operation of a reporting system for real estate excise tax affidavits | 18,864        |
| <b>139 - Chemical Dependency/MH &amp; Therapy Court</b> | Restricted by RCW 82.14.460 & Ordinance 382, reserved for chemical dependency, mental health treatment and services for therapeutic court programs  | 3,630,614     |

| Fund/Fund Name                             | Specific Purpose  | Amount              |
|--|---|---------------------|
| <b>140 - Mental Health</b>                 | Reserved due to restrictions on grant revenue for mental health, substance abuse and developmental disabilities     | 11,452,994          |
| <b>145 - Homeless Housing</b>              | Reserved for costs related to the homeless housing program and reducing homelessness                                | 1,773,392           |
| <b>301 - Facilities Capital</b>            | Reserved for the acquisition or construction of general capital assets and improvements                             | 68,567              |
| <b>302 - Software Replacement</b>          | Reserved for acquisition of major computer software systems   | 5                   |
| <b>303 - Fair Bldg Construction</b>        | Reserved for acquisition of buildings or construction of buildings and improvements at the fairgrounds              | 139,965             |
| <b>307 - Cum. Reserve for Construction</b> | Restricted per RCW 36.33.020  | 1,031,358           |
| <b>309 - Capital Improvements</b>          | Restricted per RCW 35.43.040  | 365,927             |
| <b>310 - Distressed Area Capital</b>       | Restricted per RCW 82.14.370  | 1,630,367           |
| <b>401 - Solid Waste Plan</b>              | Reserved for solid waste management services  | 964,184             |
| <b>402 - Hogan's Corner Water System</b>   | Reserved for maintenance, upgrades and support activities of the water system                                       | 194,224             |
| <b>403 - Tax Title Management</b>          | Reserved to administer and manage County timber land and tax title property   | 3,535,790           |
| <b>404 - Pacific Beach Sewer System</b>    | Reserved for maintenance, upgrades and support activities of the sewer system                                       | 1,113,462           |
| <b>405 - PB/Moclips Water System</b>       | Reserved for maintenance, upgrades and support activities of the water system                                       | 593,911             |
| <b>406 - North Beach Water System</b>      | Reserved for maintenance, upgrades and support activities of the water system                                       | 56,793              |
| <b>501 - Equipment R&amp;R</b>             | Restricted per RCW 36.33A.010-060   | 1,184,838           |
| <b>503 - Central Services</b>              | Reserved for software development, purchases and support, computer purchases and replacement, GIS related functions | 488,829             |
| <b>504 - Management Services</b>           | Reserved for administration of budget, grant management, human resources, insurance and risk management             | 436,607             |
| <b>Reserved Ending Cash Total</b>          |   | <b>\$38,322,702</b> |

## **Note 2 – Deposits and Investments**

It is the County's policy to invest all temporary cash surpluses. The interest on these investments is posted to the general 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 and held by the County or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

| Type of Investments             | GH County Owned Investments | Investments Held by GH County as Agent | Total                      |
|---------------------------------|-----------------------------|--|----------------------------|
| <b>LGIP</b>                     | \$34,128,223                | \$33,132,496                           | \$67,260,719               |
| <b>US Gov't Securities</b>      | 8,448,354                   | -                                      | 8,448,354                  |
| <b>Other – Money Market</b>     | 4,750,000                   | 402,000                                | 5,152,000                  |
| <b><i>Total Investments</i></b> | <b><i>\$47,326,577</i></b>  | <b><i>\$33,534,496</i></b>             | <b><i>\$80,861,073</i></b> |

The average compensating balance maintained during the year to support bank services was \$10,362,604.

### **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 at the end of each month.

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

The County's regular levy for 2014 was \$1.7245646 per \$1,000 on an assessed valuation of \$6,004,054,364 for a total regular levy of \$10,354,380.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2014 was \$2.0003154 per \$1,000 on an assessed valuation of \$2,488,554,505 for a total road levy of \$4,977,894.

#### **Note 4 – Interfund Loans**

The following table displays interfund loan activity during 2014:

| <b>Borrowing Fund</b>        | <b>Lending Fund</b>   | <b>Balance<br/>1/01/14</b> | <b>New<br/>Loans</b> | <b>Repayments</b> | <b>Balance<br/>12/31/14</b> |
|------------------------------|-----------------------|----------------------------|----------------------|-------------------|-----------------------------|
| <b>Fair Construction</b>     | Landfill Post-Closure | \$186,160                  | \$0                  | \$93,081          | \$93,079                    |
| <b>Election Reserve</b>      | Auditor's M & O       | 15,000                     | -                    | 15,000            | -                           |
| <b>Facilities Capital</b>    | Landfill Post-Closure | 19,830                     | -                    | 19,830            | -                           |
| <b>Central Services</b>      | Landfill Post-Closure | 100,000                    |                      | 50,000            | 50,000                      |
| <b>Total Interfund Loans</b> |                       | <b>\$320,990</b>           | <b>\$0</b>           | <b>\$177,911</b>  | <b>\$143,079</b>            |

#### **Note 5 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds and intergovernmental loans including both principal and interest, are as follows:

| <b>Year</b>               | <b>GO Bonds</b>    | <b>Revenue Bonds</b> | <b>Other Debt</b>  | <b>Total Debt</b>   |
|---------------------------|--------------------|----------------------|--------------------|---------------------|
| <b>2015</b>               | \$744,787          | \$179,148            | \$635,657          | \$1,559,592         |
| <b>2016</b>               | 782,488            | 179,149              | 584,042            | 1,545,679           |
| <b>2017</b>               | 783,337            | 179,149              | 566,638            | 1,529,124           |
| <b>2018</b>               | 779,900            | 179,149              | 499,291            | 1,458,340           |
| <b>2019</b>               | 774,700            | 179,057              | 497,063            | 1,450,820           |
| <b>2020-2024</b>          | 2,450,500          | 83,774               | 2,134,604          | 4,668,878           |
| <b>2025-2029</b>          | -                  | -                    | 1,434,404          | 1,434,404           |
| <b>2030-2031</b>          | -                  | -                    | 341,517            | 341,517             |
| <b>Total Debt Service</b> | <b>\$6,315,712</b> | <b>\$979,426</b>     | <b>\$6,693,216</b> | <b>\$13,988,354</b> |

## **Note 6 – Pension Plans**

Substantially all County full-time and qualifying part-time employees participate in PERS, LOEFF and PSERS administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the county's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

## **Note 7 – Post Retirement Health Care Benefits**

In addition to the pension benefits described in Note 6, and in accordance with the LEOFF Act, the County pays for health insurance and medical costs not covered by insurance for retired full-time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. Substantially all of the County's law enforcement officers who established membership in the LEOFF 1 retirement system may be eligible for these benefits when they reach normal retirement age. The County reimburses retired LEOFF 1 law enforcement officers for reasonable medical charges as described in the LEOFF act. In 2014, 17 retirees received benefits under this Act. As of December 31, 2014, there is one active officer, 58 years of age, who becomes eligible for these benefits when he reaches normal retirement age and 16 retired members.

The cost of retiree health care benefits is recognized as an expenditure in the General Fund as claims are paid. For 2014, these costs totaled \$248,752 with an average cost per retiree of \$15,547.

## **Note 8 – Risk Management**

Grays Harbor County remains one of several Washington counties that are members of the Washington Counties Risk Pool ("Pool" or "WCRP"). The others include: Adams, Benton and Chelan, Clallam, Columbia, Cowlitz and Douglas, Franklin, Garfield, Island and Jefferson, Kittitas, Lewis, Mason and Okanogan, Pacific, Pend Oreille, San Juan and Skagit, Skamania, Spokane, Thurston and Walla Walla, Whatcom and Yakima Counties.

Clark, Kitsap, Klickitat and Whitman Counties were Pool members. Clark had its membership cancelled by the Pool's Board of Directors effective April 29, 2014. The others voluntarily terminated their memberships effective October 1<sup>st</sup> of 2010, 2002 and 2003 respectively.

**Background:** The Pool was "Created by Counties for Counties" in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP's foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington ("RCW"), "to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services."

Noteworthy is the definition of "insurer" in RCW 48.01.050 as it pertains to the application of the Washington Insurance Code (Title 48). The statutory definition reads:

*Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an "insurer" under this code.*

WCRP is not an "insurer" and thus not an insurance company or subject to the special laws and rules that govern insurers and insurance companies. Washington's pools operate under the state's "pooling" laws and regulations, specifically Chapters 48.62 RCW and 200-100 Washington Administrative Code ("WAC"). Pools are risk-sharing entities that initially must be approved by then annually report to and are overseen by the State Risk Manager – they are not regulated by the Office of the Insurance Commissioner. In addition, as public entities, pools are subject to annual audits by the State Auditor's Office.

The mission for the Pool as determined by the members' directors and alternate directors is to:

- Provide comprehensive and economical risk coverage;
- Reduce the frequency and severity of losses;
- Decrease costs incurred in the managing and litigation of claims.

The core values adopted by the Pool's Board of Directors include: being committed to learn, understand and respond to the member counties' insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations; the Pool's Board and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes; and being committed to continuous planning and innovation in product development and service delivery.

The Pool's Membership Compact, added in 2000 as an addendum to the Interlocal Agreement, constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. The Compact obligates the member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles. In recent years, new members have only been required to contribute 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 county 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.

**Joint Self-Insurance Liability Program ("JSILP"):** The Washington Counties Risk Pool has since its beginning administered the membership's 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 per occurrence have grown from the \$1 million existing during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit that has existed since October 2003. (Note: Additional \$5 million limits were available as individual county-by-county options during many recent years, including the 2013-14 and 2014-15 coverage years.)

Since the 2003-04 coverage year, the initial \$10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is "risk shared" amongst the membership. 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.

The Board of Directors has decided for years now to acquire reinsurance as 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 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to \$1 million, but with an aggregated stop loss of \$2.975 million (later reduced with Clark County's termination to \$2,900,625), and the second increasing the SIR further, to \$2 million, but with an aggregated stop loss of \$650,000 (also reduced with Clark County's departure to \$596,875). Other reinsurance agreements respond to the remaining \$8 million – one for the \$3 million excess of the \$2 million SIR, and another for the \$5 million excess of \$5 million.

The remaining \$10 million (or \$15 million) of JSILP occurrence coverage has been acquired as "following form" excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the 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).

584 third-party liability claims (and lawsuits) were reported by member counties to the Pool during the 2013-14 coverage year, a 5.5% reduction in year-over-year filings and a continuation of the decline in filings experienced the past several years. The new filings raised the to-date (October 1988 – September 2014) total to 19,820. Yet only 359 remained classified as ‘open’ at year-end. Projections from the required independent actuary retained by the Pool’s Board of Directors suggest another 283 cases from all years as being *incurred but not yet reported* (“IBNR”) and raise the Pool’s estimated ultimate case count (as of September 30, 2014) to 20,103. Total incurred losses (payments made plus estimates for *open* claims) increased \$14.6 million during the year to \$264.6 million. And while that represents a significant increase from recent years’ corresponding amounts, it is less than the several earlier years’ amounts of \$16.0M (2010-11), \$17.8M (2009-10), and the \$20.8M (average for 2006-07 through 2008-09). Claims reserves for the JSILP coverage are determined annually, and the actuary’s estimates of net reserves as of September 30, 2014 totaled \$14.68 million, a modest year-over-year increase of \$0.06 million (0.4%), and included \$2.69 million for losses in the basic SIR, \$10.84 million for the increased SIRs from the “corridor” programs, \$0.13 million for losses in the quota-shared (10%) upper reinsured layer retained by the Pool during 2012-13, and \$1.02 million for unallocated loss adjustment expenses (ULAE). NOTE: Estimates for gross reserves declined \$1.10 million (3.3%) to \$32.67 million, with \$17.99 million ceded to the commercial insurers.

**Washington Counties Property Program (“WCPP”):** The Board of Directors agreed to add property insurance, beginning with the 2005-06 coverage year, as a county-by-county option. This optional coverage is jointly-purchased from a consortium of higher rated commercial carriers. Both participation and the total values of covered properties have nearly doubled since the WCPP was added. Twenty six counties participated in the WCPP during 2013-14 with covered properties totaling in excess of \$2.7 billion.

Losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractors 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) coverage with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverage include annual aggregate limits of \$200 million each. Coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million). AOP occurrence deductibles, which each participating county confirms each year and is solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

**Cyber Risk and Other Coverage:** Beginning this coverage year (2014-15), the Board agreed to add jointly-purchased cyber risk and security coverage from a higher-rated commercial insurer.

**Other Insurances:** Several member counties use the producer (broker) retained by the Board on behalf of the Pool to secure other (specialty) coverage. Examples include public officials bonds and insurance coverage for crime (and fidelity), special events/concessionaires, UST and other environmental hazards, as well as airport, ferry, and railroad operations.

**Governance / Oversight:** The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county's legislative authority. The Board of Directors, which includes both elected and appointed officials, meets three times each year with the Annual Meeting of the Pool being held mid-summer. The Board a) determines the extent of risk-sharing from the 3<sup>rd</sup>-party self-insured liability coverage by approving the JSILP Coverage Form, b) selects the reinsurance(s) to acquire and the excess insurance(s) to jointly-purchase or offer for "member option" purchase, c) approves the Pool's annual operating budget(s) and work program(s), and d) approves the formulas used for computing members' deposit assessments and, when necessary, reassessments.

Ongoing oversight of the Pool is furnished by an 11-person executive committee that is elected by and from the WCRP Board for staggered, 3-year terms. The membership of the 2014-15 committee averages more than nine years with the Pool. The committee meets throughout the year and a) approves all disbursements and reviews the Pool's financial health, b) approves case settlements exceeding the applicable member's deductible by at least \$50,000, c) reviews all claims with incurred loss estimates exceeding \$100,000, and d) evaluates the Pool's operations and 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 coverage for the Board to consider and act upon.

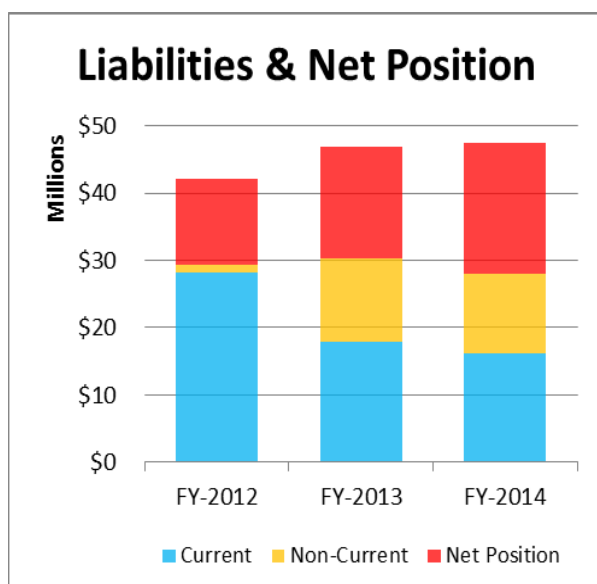
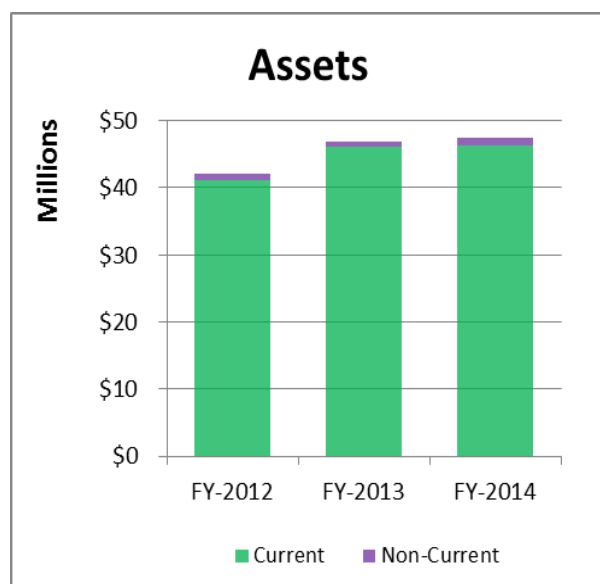
**Staffing and Support Teams:** Six of the Pool's 11-person staff handle and/or manage the several hundred liability cases filed annually upon the member counties and submitted for risk-shared coverage consideration. This includes determining coverage, establishing reserves for covered events by estimating future payments for the losses and their related claims adjustment expenses. The claims staff have 115 years of combined claims handling experience. The remaining staff support the Pool's administrative needs and provide member services that include, but are not limited to assessing the memberships' risks, coordinating trainings, performing compliance audits, and developing and presenting/promoting coverage.

There are also the professionals from some of the most respected organizations worldwide which are retained by the Board to address specific needs of the Pool – PricewaterhouseCoopers, LLP furnishes independent actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing; Arthur J. Gallagher Risk Management Services, Inc. provides insurance producer (broker) and advanced loss control services; and J. William Ashbaugh of Hackett Beecher & Hart serves as coverage counsel. NOTE: Claims audits

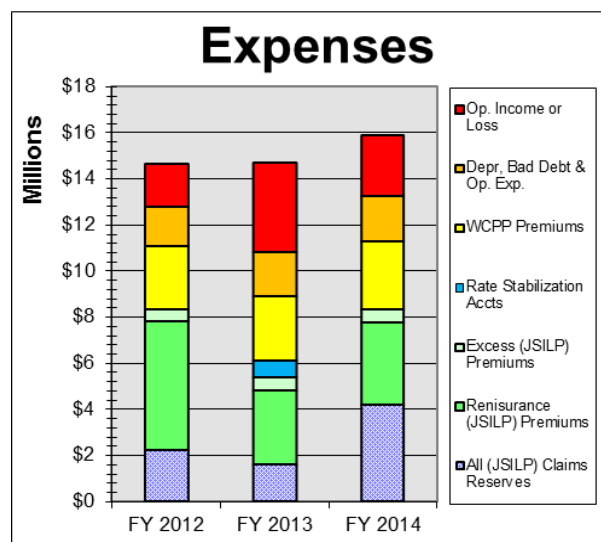
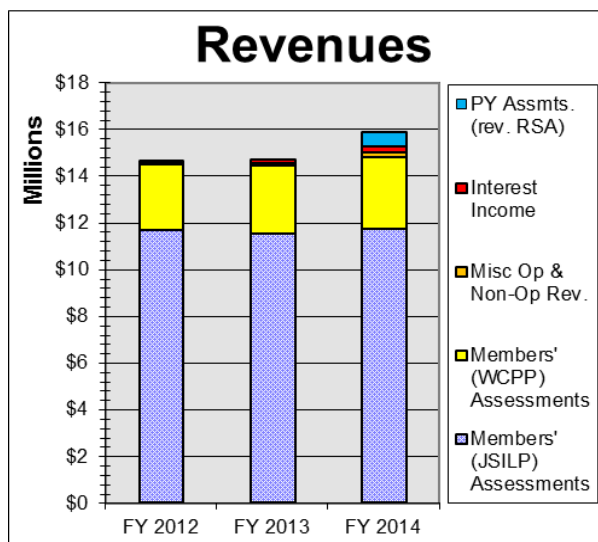
are occasionally performed by commercial insurers. The numerous attorneys retained and assigned to defend covered claims as well as the State Risk Manager and State Auditor's Offices cannot be overlooked.

**Financial Summary:** During fiscal 2014, WCRP assets grew 1% (\$0.48 million) to \$47.41 million while its liabilities decreased 7% (\$2.17 million) to \$28.04 million. That produced a (assets to liabilities) ratio of 1.69:1. For comparison, the fiscal 2004 ratio was 0.94:1 which, except for the members' reassessments receivables ("retroactive assessments") that were included, would have been 0.74:1.

Net Position, which is frequently referred to as "Net Assets" or "Owners' Equity", improved 16% (\$2.65 million) to \$19.37 million as of September 30, 2014. And since 2004 ended "negative" \$0.69 million, Net Position improved by more than \$20 million over the course of the past decade. \$1.07 million of Net Position were held in Capital Assets (net of debt), leaving \$18.30 million to both satisfy the State Risk Manager's solvency provisions (WAC 200.100.03001(3)) and substantially fulfill WCRP's own sufficiency requirements in section D.2 of the Board of Directors' Underwriting Policy.



Operating Income of \$2.38 million was realized in fiscal 2014. And though a 37% decrease from 2013, the 2014 amount was the third greatest in recent years and 55% more than the annual average from 2004 through 2013. Revenues grew \$1.05 million (7%) while Expenses increased \$2.42 million (22%), primarily due to the \$2.54 million in independent actuary adjustments to the Pool's claims-related reserves and \$0.58 million in premium increases for the reinsurance and excess liability and property insurance policies acquired.



**Contingent Liability:** The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) 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, 2014 was ZERO (\$0). As such, there are no known contingent liabilities at that time for disclosure by the member counties.

#### **Note 9 – Joint Venture**

The County and cities of Aberdeen and Hoquiam jointly operate an Interagency Drug Task Force. The County reports the Task Force as an agency fund. The purpose of the Task Force is to enhance the investigation and enforcement of laws against illegal drugs.

The Task Force is governed by an administrative board composed of the County Sheriff and the Aberdeen and Hoquiam Police Chiefs. The Board is responsible for establishing the budget, authorizing the acquisition of equipment, setting operating policies and resolving disputes.

Activity for the year ended December 31, 2014 is as follows:

|              | Total     | County    |
|--------------|-----------|-----------|
| Revenue      | \$203,514 | \$109,509 |
| Expenditures | \$534,514 | \$267,600 |

#### **Note 10 – Landfill Post-Closure Agreement**

In September of 1990 Grays Harbor County entered into an agreement with Lemay Enterprises, Inc. (the Company), concerning the closure and post-closure care of the landfill operation known as the Aberdeen Sanitary Landfill, (the Landfill). This agreement was entered into to ensure that federal and state requirements concerning financial assurances for the closure and post-closure costs would be fulfilled.

Under the agreement, the Company increased tipping fees to provide funds for closure and post-closure activities. The Company is responsible for all costs associated with the closure of the facility.

The Company shall conduct all post-closure care of the Landfill in accordance with the approved post-closure plan and all applicable local, state and federal laws and regulations. Post-closure costs shall be approved by the County and paid out of the post-closure fund administered by the County. In the event that there are insufficient funds for the post-closure care of the Landfill, the County's Solid Waste Fund shall pay any and all shortfalls.

The minimum post-closure period is 20 years; however, post-closure activities will be required for as long as the Landfill is producing contaminated leachate or landfill gas. The County used a 30-year factor when establishing the increase of current tipping fees to fund the post-closure activities. Future post-closure costs are estimated by the County to be approximately \$150,000 per year as the result of the installation of a leachate pipeline in 2013. This amount is subject to change due to inflation, technology, and or regulation. Accumulated funds from the increase in tipping fees, which ceased when the Landfill closed during 1994, are anticipated to fully pay for the post-closure costs throughout the 30 year period.

#### **Note 11 – Intergovernmental Agreement**

##### **Chehalis Basin Partnership**

The County and counties of Lewis, Mason and Thurston have agreed to participate in the Chehalis Basin Partnership through an Intergovernmental Agreement. The four counties support the collaboration among the Chehalis Basin Watershed communities to implement a comprehensive strategy for balancing competing demands for water, while at the same time preserving and enhancing the future integrity of the Chehalis Basin Watershed.

#### **Note 12 – Other Disclosures**

##### **Property Tax Appeal**

The claims of Grays Harbor Energy, LLC(GHE) for personal property tax refunds for claimed overpayments for years 2005 to 2013 have been settled. The settlement resolves property tax valuation issues for claims for 2005 through 2014 and eliminates potential tax refund liabilities for those years.

There is one other pending tax assessment appeal regarding evaluation of residential real property. The County prevailed before the Board of Equalization and expects to prevail in the appeal.

#### Department of Revenue Appeal

The Department of Revenue conducted a tax audit on B&O taxes paid from 2009-2012. The DOR concluded the County is engaged in a solid-waste collection business and the fees generated by this business are taxable. The County disputes the determination that it engages in garbage collection activities.

The County is appealing this decision. The appeal was filed on August 11, 2014. An informal hearing was held on February 5, 2015, before the DOR Administrative Law Judge and a ruling is anticipated by September 2015. The County believes it has provided the ALJ with sufficient evidence to either reduce or eliminate entirely the tax burden imposed by DOR's audit.

#### Miscellaneous Claims

The County is occasionally the defendant in various claims including emotional distress, false arrests, dog bite, jail complaints and slip and falls. There are currently 11 outstanding or possible claims of this type which the County is defending and expects to prevail or have dismissed for lack of merit.

#### Court and Inmate Trust Funds

Superior Court, District Court and the Sheriff's Office each maintain separate bank accounts for money held in trust. The Court Trust and the Inmate Trust are included in the County's C5 Statement.

#### Road Levy Shift

The Board of County Commissioner's authorized a road levy shift in the amount of \$500,000.

#### Interlocal Agreement

The Board of County Commissioners approved the Interlocal Agreement with Cowlitz County and Southwest Washington Behavioral Health RSN for Grays Harbor RSN to administer funds on behalf of Cowlitz County from July 1, 2015 to April 1, 2016.

Resolution 2015-043 establishes the Cowlitz County Mental Health Fund and sub-funds for use exclusively and solely to administer the mental health provider services contract and employment contracts, as well as administrative costs, on behalf of Cowlitz County.

This is in response to Senate Bill 6312, directing DSHS to change how it purchases mental health and chemical dependency services, Grays Harbor Regional Support Network (RSN) will begin contracting for mental health services in Cowlitz County starting July 1, 2015. This two county RSN will continue for nine months ending, April 1, 2016, when the Grays Harbor RSN (including Cowlitz County) will join three other Counties along with chemical dependency services in all five counties, to form Great Rivers Behavioral Health Organization, completing the directive in Senate Bill 6312.

**Grays Harbor County**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2014**

| <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 Obligations</b>        |                                      |                 |                          |                  |                   |                       |
| 263.81                            | PWTF Loan 1997                       | 7/1/2017        | 257,894                  | -                | 64,474            | 193,421               |
| 263.81                            | SRF Loan, 1996                       | 5/15/2016       | 72,654                   | -                | 29,062            | 43,593                |
| 263.81                            | DWSRF 2009                           | 10/1/2028       | 2,069,921                | -                | 137,995           | 1,931,926             |
| 263.81                            | CERB Loan 1994 T93-022               | 1/1/2015        | 70,341                   | -                | 37,121            | 33,221                |
| 263.81                            | CERB Loan C2001-141                  | 7/22/2022       | 332,282                  | -                | 35,468            | 296,814               |
| 263.81                            | CERB Loan C1999-122PW                | 7/23/2023       | 384,542                  | -                | 35,119            | 349,423               |
| 251.11                            | Limited Tax GO Bonds 2012            | 12/1/2023       | 6,230,000                | -                | 605,000           | 5,625,000             |
| 263.81                            | PWTF Loan 2012                       | 6/1/2031        | 3,050,776                | -                | 169,488           | 2,881,289             |
| 263.96                            | Local Program-Energy                 | 6/1/2023        | -                        | 360,016          | 30,030            | 329,986               |
| 263.96                            | Local Program-Jail                   | 6/1/2020        | -                        | 225,331          | 29,235            | 196,096               |
| 259.11                            | Compensated Absences Liability-Govtl |                 | 1,512,141                | -                | 154,631           | 1,357,510             |
| <b>Total General Obligations:</b> |                                      |                 | <b>13,980,553</b>        | <b>585,347</b>   | <b>1,327,621</b>  | <b>13,238,279</b>     |
| <b>Revenue Obligations</b>        |                                      |                 |                          |                  |                   |                       |
| 252.11                            | Water & Sewer Revenue Bonds 1999     | 6/22/2019       | 491,433                  | -                | 73,178            | 418,255               |
| 252.11                            | Sewer Revenue Bonds 2000             | 5/5/2020        | 494,083                  | -                | 61,623            | 432,460               |
| 259.12                            | Compensated Absences Liability-Prop  |                 | 312,636                  | 5,414            | -                 | 318,050               |
| <b>Total Revenue Obligations:</b> |                                      |                 | <b>1,298,152</b>         | <b>5,414</b>     | <b>134,801</b>    | <b>1,168,765</b>      |
| <b>Total Liabilities:</b>         |                                      |                 | <b>15,278,705</b>        | <b>590,761</b>   | <b>1,462,422</b>  | <b>14,407,044</b>     |

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

| Federal Agency<br>(Pass-Through Agency)  | Federal Program   | CFDA<br>Number | Other Award<br>Number        | Expenditures                    |                       |         | Note |
|--|---|----------------|------------------------------|---------------------------------|-----------------------|---------|------|
|  |   |                |                              | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total   |      |
| CDBG - State-Administered CDBG Cluster   |   |                |                              |                                 |                       |         |      |
| Office Of Community Planning<br>And Development, Department Of<br>Housing And Urban Development<br>(via WA State Dept of Commerce) | Community Development<br>Block Grants/State's<br>program and Non-<br>Entitlement Grants in Hawaii | 14.228         | 13-65400-006                 | 87,043                          | -                     | 87,043  | 3b   |
| Office Of Community Planning<br>And Development, Department Of<br>Housing And Urban Development<br>(via WA State Dept of Commerce) | Community Development<br>Block Grants/State's<br>program and Non-<br>Entitlement Grants in Hawaii | 14.228         | 14-65400-006                 | 38,618                          | -                     | 38,618  | 3    |
| Total CDBG - State-Administered CDBG Cluster:  |   |                |                              | 125,661                         | -                     | 125,661 |      |
| Child Nutrition Cluster  |   |                |                              |                                 |                       |         |      |
| Food And Nutrition Service,<br>Department Of Agriculture   | National School Lunch<br>Program  | 10.555         | NA                           | -                               | 40,634                | 40,634  |      |
| Total Child Nutrition Cluster:   |   |                |                              | -                               | 40,634                | 40,634  |      |
| Drinking Water State Revolving Fund Cluster  |   |                |                              |                                 |                       |         |      |
| Office Of Water, Environmental<br>Protection Agency (via State of<br>WA Dept of Health)  | Capitalization Grants for<br>Drinking Water State<br>Revolving Funds                              | 66.468         | C16885                       | 2,200                           | -                     | 2,200   |      |
| Total Drinking Water State Revolving Fund Cluster:   |   |                |                              | 2,200                           | -                     | 2,200   |      |
| Forest Service Schools and Roads Cluster   |   |                |                              |                                 |                       |         |      |
| Forest Service, Department Of<br>Agriculture   | Schools and Roads - Grants<br>to States   | 10.665         | 09-PA-<br>11060900-017       | -                               | 312                   | 312     |      |
| Forest Service, Department Of<br>Agriculture   | Schools and Roads - Grants<br>to States   | 10.665         | Title III-County<br>Projects | -                               | 15,000                | 15,000  | 3    |
| Forest Service, Department Of<br>Agriculture   | Schools and Roads - Grants<br>to States   | 10.665         | Title I                      | -                               | 178,266               | 178,266 |      |
| Total Forest Service Schools and Roads Cluster:  |   |                |                              | -                               | 193,578               | 193,578 |      |



| Federal Agency<br>(Pass-Through Agency)  | Federal Program                       | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |                  |
|--|---------------------------------------|----------------|-----------------------|---------------------------------|-----------------------|------------------|
|  |                                       |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Note             |
| <b>Highway Planning and Construction Cluster</b>   |                                       |                |                       |                                 |                       |                  |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation  | Highway Planning and<br>Construction  | 20.205         | DTFH70-06-E-<br>00002 | -                               | 7,376                 | 7,376            |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WA State Dept<br>of Transportation)               | Highway Planning and<br>Construction  | 20.205         | LA5822                | 39,056                          | -                     | 39,056           |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WA State Dept<br>of Transportation)               | Highway Planning and<br>Construction  | 20.205         | LA7935                | 495,822                         | -                     | 495,822          |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WA State Dept<br>of Transportation)               | Highway Planning and<br>Construction  | 20.205         | LA7835                | 58,603                          | -                     | 58,603           |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WA State Dept<br>of Transportation)               | Highway Planning and<br>Construction  | 20.205         | LA7936                | 163,397                         | -                     | 163,397          |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WA State Dept<br>of Transportation)               | Highway Planning and<br>Construction  | 20.205         | BROS-<br>2014(078)    | 120,845                         | -                     | 120,845          |
| Federal Highway Administration<br>(fhwa), Department Of<br>Transportation (via WA State Dept<br>of Transportation)               | Highway Planning and<br>Construction  | 20.205         | LA5816                | 1,209,701                       | -                     | 1,209,701        |
| <b>Total Highway Planning and Construction Cluster:</b>  |                                       |                |                       | <b>2,087,424</b>                | <b>7,376</b>          | <b>2,094,800</b> |
| <b>Highway Safety Cluster</b>  |                                       |                |                       |                                 |                       |                  |
| National Highway Traffic Safety<br>Administration (nhtsa),<br>Department Of Transportation (via<br>WA Traffic Safety Commission) | State and Community<br>Highway Safety | 20.600         | 14ST-07               | 20,527                          | -                     | 20,527           |
| National Highway Traffic Safety<br>Administration (nhtsa),<br>Department Of Transportation (via<br>WA Traffic Safety Commission) | State and Community<br>Highway Safety | 20.600         | 15ST-07               | 22,540                          | -                     | 22,540           |

| Federal Agency<br>(Pass-Through Agency)  | Expenditures   |                |                       |                                 | Note          |
|--|--|----------------|-----------------------|---------------------------------|---------------|
|  | Federal Program  | CFDA<br>Number | Other Award<br>Number | From Pass-<br>Through<br>Awards |               |
| National Highway Traffic Safety Administration (nhtsa),<br>Department Of Transportation (via WA Traffic Safety Commission) | State and Community Highway Safety                     | 20.600         | NA                    | 2,556                           | 2,556         |
| National Highway Traffic Safety Administration (nhtsa),<br>Department Of Transportation (via WA Traffic Safety Commission) | State and Community Highway Safety                     | 20.600         | NA                    | 1,422                           | 1,422         |
| National Highway Traffic Safety Administration (nhtsa),<br>Department Of Transportation (via WA Traffic Safety Commission) | State and Community Highway Safety                     | 20.600         | NA                    | 12,841                          | 12,841        |
| <b>Total CFDA 20.600:</b>  |  |                |                       | <b>59,886</b>                   | <b>59,886</b> |
| National Highway Traffic Safety Administration (nhtsa),<br>Department Of Transportation (via WA Traffic Safety Commission) | Occupant Protection Incentive Grants                   | 20.602         | NA                    | 5,077                           | 5,077 3a      |
| National Highway Traffic Safety Administration (nhtsa),<br>Department Of Transportation (via WA Traffic Safety Commission) | Child Safety and Child Booster Seats Incentive Grants  | 20.613         | NA                    | 681                             | 681           |
| <b>Total Highway Safety Cluster:</b>   |  |                |                       | <b>65,644</b>                   | <b>65,644</b> |
| <b>JAG Program Cluster</b>   |  |                |                       |                                 |               |
| Bureau Of Justice Assistance,<br>Department Of Justice (via City of Aberdeen)  | Edward Byrne Memorial Justice Assistance Grant Program | 16.738         | M14-34021-001         | 24,626                          | 24,626        |
| Bureau Of Justice Assistance,<br>Department Of Justice (via City of Aberdeen)  | Edward Byrne Memorial Justice Assistance Grant Program | 16.738         | M13-31440-001         | 18,238                          | 18,238        |
| Bureau Of Justice Assistance,<br>Department Of Justice (via City of Aberdeen)  | Edward Byrne Memorial Justice Assistance Grant Program | 16.738         | M14-31440-001         | 17,216                          | 17,216        |
| <b>Total JAG Program Cluster:</b>  |  |                |                       | <b>60,080</b>                   | <b>60,080</b> |



| Federal Agency<br>(Pass-Through Agency)   | Federal Program   | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |                | Note |
|---|---|----------------|-----------------------|---------------------------------|-----------------------|----------------|------|
|   |   |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |      |
| Office Of Population Affairs,<br>Department Of Health And Human<br>Services (via State of WA Dept of<br>Health)                                   | Family Planning_Services  | 93.217         | C16885                | 44,974                          | -                     | 44,974         |      |
| Substance Abuse And Mental<br>Health Services Administration,<br>Department Of Health And Human<br>Services                                       | Substance Abuse and<br>Mental Health<br>Services_Projects of<br>Regional and National<br>Significance | 93.243         | 1363-89949            | -                               | 56,979                | 56,979         |      |
| Substance Abuse And Mental<br>Health Services Administration,<br>Department Of Health And Human<br>Services                                       | Substance Abuse and<br>Mental Health<br>Services_Projects of<br>Regional and National<br>Significance | 93.243         | 1263-66379            | -                               | 167,626               | 167,626        |      |
| <b>Total CFDA 93.243:</b>   |   |                |                       | -                               | <b>224,605</b>        | <b>224,605</b> |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                     | Immunization Cooperative<br>Agreements  | 93.268         | C16885                | 7,227                           | -                     | 7,227          |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                     | Immunization Cooperative<br>Agreements  | 93.268         | C16885                | 3,774                           | -                     | 3,774          |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                     | Immunization Cooperative<br>Agreements  | 93.268         | C16885                | 16,492                          | -                     | 16,492         |      |
| <b>Total CFDA 93.268:</b>   |   |                |                       | <b>27,493</b>                   | -                     | <b>27,493</b>  |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                     | Centers for Disease Control<br>and<br>Prevention_Investigations<br>and Technical Assistance           | 93.283         | C16885                | 8,913                           | -                     | 8,913          |      |
| National Institutes Of Health,<br>Department Of Health And Human<br>Services (via State of WA Dept of<br>Health)                                  | National Institutes of Health<br>Pediatric Research Loan<br>Repayment Program                         | 93.285         | C16885                | 10,021                          | -                     | 10,021         |      |
| Health Resources And Services<br>Administration, Department Of<br>Health And Human Services (via<br>Washington Early Learning, Thrive<br>by Five) | Affordable Care Act (ACA)<br>Maternal, Infant, and Early<br>Childhood Home Visiting<br>Program        | 93.505         | 174                   | 201,332                         | -                     | 201,332        |      |

| Federal Agency<br>(Pass-Through Agency)   | Federal Program  | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |                | Note |
|---|--|----------------|-----------------------|---------------------------------|-----------------------|----------------|------|
|   |  |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                 | PPHF - Community<br>Transformation Grants and<br>National Dissemination and<br>Support for Community<br>Transformation Grants -<br>financed solely by<br>Prevention and Public<br>Health Funds | 93.531         | C16885                | 250,220                         | -                     | 250,220        |      |
|   |  |                |                       |                                 |                       |                |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                 | PPHF Capacity Building<br>Assistance to Strengthen<br>Public Health Immunization<br>Infrastructure and<br>Performance financed in<br>part by Prevention and<br>Public Health Funds             | 93.539         | C16885                | 1,842                           | -                     | 1,842          |      |
|   |  |                |                       |                                 |                       |                |      |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)                 | PPHF Capacity Building<br>Assistance to Strengthen<br>Public Health Immunization<br>Infrastructure and<br>Performance financed in<br>part by Prevention and<br>Public Health Funds             | 93.539         | C16885                | 4,366                           | -                     | 4,366          |      |
|   |  |                |                       |                                 |                       |                |      |
| Administration For Children And<br>Families, Department Of Health<br>And Human Services (via WA<br>State Dept of Social & Health<br>Services) | Child Support Enforcement  | 93.563         | 2110-81159            | 215,870                         | -                     | 215,870        |      |
|   |  |                |                       |                                 |                       |                |      |
| Administration For Children And<br>Families, Department Of Health<br>And Human Services (via WA<br>State Dept Social & Health<br>Services)    | Child Support Enforcement  | 93.563         | 2110-81159            | 47,468                          | -                     | 47,468         |      |
|   |  |                |                       |                                 |                       |                |      |
| <b>Total CFDA 93.539:</b>   |  |                |                       | <b>6,208</b>                    | -                     | <b>6,208</b>   |      |
| <b>Total CFDA 93.563:</b>   |  |                |                       | <b>263,338</b>                  | -                     | <b>263,338</b> |      |

| Federal Agency<br>(Pass-Through Agency)   | Federal Program   | CFDA<br>Number | Other Award<br>Number | Expenditures                    |                       |                |
|---|---|----------------|-----------------------|---------------------------------|-----------------------|----------------|
|   |   |                |                       | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total          |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)   | Capacity Building<br>Assistance to Strengthen<br>Public Health Immunization<br>Infrastructure and<br>Performance – financed in<br>part by the Prevention and<br>Public Health Fund (PPHF) | 93.733         | C16885                | 3,000                           | -                     | 3,000          |
| Office Of The Secretary,<br>Department Of Health And Human<br>Services (via State of WA Dept of<br>Health)                      | National Bioterrorism<br>Hospital Preparedness<br>Program   | 93.889         | C16885                | 2,000                           | -                     | 2,000          |
| Substance Abuse And Mental<br>Health Services Administration,<br>Department Of Health And Human<br>Services                     | Block Grants for Community<br>Mental Health Services  | 93.958         | 1369-76920            | -                               | 408                   | 408            |
| Substance Abuse And Mental<br>Health Services Administration,<br>Department Of Health And Human<br>Services                     | Block Grants for Community<br>Mental Health Services  | 93.958         | 1369-76920            | -                               | 44,010                | 44,010         |
| <b>Total CFDA 93.958:</b>   |   |                |                       | -                               | <b>44,418</b>         | <b>44,418</b>  |
| Substance Abuse And Mental<br>Health Services Administration,<br>Department Of Health And Human<br>Services                     | Block Grants for Prevention<br>and Treatment of Substance<br>Abuse  | 93.959         | 1163-27303            | -                               | 36,845                | 36,845         |
| Substance Abuse And Mental<br>Health Services Administration,<br>Department Of Health And Human<br>Services                     | Block Grants for Prevention<br>and Treatment of Substance<br>Abuse  | 93.959         | 1163-27303            | -                               | 70,090                | 70,090         |
| <b>Total CFDA 93.959:</b>   |   |                |                       | -                               | <b>106,935</b>        | <b>106,935</b> |
| Centers For Disease Control And<br>Prevention, Department Of Health<br>And Human Services (via State of<br>WA Dept of Health)   | Preventive Health and<br>Health Services Block Grant  | 93.991         | C16885                | 20,459                          | -                     | 20,459         |
| Health Resources And Services<br>Administration, Department Of<br>Health And Human Services (via<br>State of WA Dept of Health) | Maternal and Child Health<br>Services Block Grant to the<br>States  | 93.994         | C16885                | 78,929                          | -                     | 78,929         |
| Department Of Homeland Security<br>(via WA State Parks & Recreation)  | Boating Safety Financial<br>Assistance  | 97.012         | NA                    | 25,801                          | -                     | 25,801         |

| Expenditures   |   |                |                       |                                 |                       |           |
|--|---|----------------|-----------------------|---------------------------------|-----------------------|-----------|
| Federal Agency<br>(Pass-Through Agency)  | Federal Program   | CFDA<br>Number | Other Award<br>Number | From Pass-<br>Through<br>Awards | From Direct<br>Awards | Total     |
| Department Of Homeland Security<br>(via WA State Military Dept)                              | Emergency Management<br>Performance Grants  | 97.042         | E14-185               | 22,215                          | -                     | 22,215    |
| Department Of Homeland Security<br>(via WA State Military Dept)                              | Homeland Security Grant<br>Program  | 97.067         | E13-176               | 74,502                          | -                     | 74,502    |
| <b>SNAP Cluster</b>  |   |                |                       |                                 |                       |           |
| Food And Nutrition Service,<br>Department Of Agriculture (via<br>State of WA Dept of Health) | State Administrative<br>Matching Grants for the<br>Supplemental Nutrition<br>Assistance Program | 10.561         | C16885                | 165,747                         | -                     | 165,747   |
| Total SNAP Cluster:  |   |                |                       | 165,747                         | -                     | 165,747   |
| Total Federal Awards Expended:   |   |                |                       | 4,009,813                       | 636,197               | 4,646,010 |

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GRAYS HARBOR COUNTY, WASHINGTON  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the County's financial statements. 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's portion, may be more than shown.

NOTE 3 – AMOUNTS AWARDED TO SUB-RECIPIENTS

The total amount expended for these programs was passed through to sub-recipients that administered their own projects, except as follows:

- (a) \$1,897 was passed through to sub-recipients.
- (b) \$86,635 was passed through to sub-recipients.
- (c) \$45,786 was passed through to sub-recipients.



## 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 |  |
|--|--|
| <b>Deputy Director for Communications</b>          | Thomas Shapley<br><a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a><br>(360) 902-0367 |
| <b>Public Records requests</b>                     | (360) 725-5617   |
| <b>Main telephone</b>                              | (360) 902-0370   |
| <b>Toll-free Citizen Hotline</b>                   | (866) 902-3900   |
| <b>Website</b>                                     | <a href="http://www.sao.wa.gov">www.sao.wa.gov</a>   |