



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

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

## **Grays Harbor County**

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

**Published September 28, 2017**

**Report No. 1019926**





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

September 28, 2017

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,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Grays Harbor County January 1, 2016 through December 31, 2016

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

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

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We identified 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 findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

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

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.766	Community Facilities Loans and Grants
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

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

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

See finding 2016-001.

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

See finding 2016-002.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Grays Harbor County January 1, 2016 through December 31, 2016

#### **2016-001 The County's internal controls were inadequate to ensure the Schedule of Expenditures of Federal Awards is accurate and complete.**

##### ***Background***

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

In addition to annual financial statements, all entities in Washington that receive federal money are required to prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of their annual financial report. The SEFA should include all County expenditures of federal money in each fiscal year.

##### ***Description of Condition***

The County lacked an effective preparation and review process to ensure all expenditures of federal money during the current fiscal year were reported on the SEFA. Our audit identified the follow errors on the SEFA:

- \$145,468 was expended in 2017 but reported for 2016 for the Clean Water State Revolving Fund Cluster (CFDA 66.458).
- \$206,819 was expended in 2017 but reported for 2016 for the Community Development Block Grant (CFDA 10.766).

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

The County had a miscommunication among employees regarding which expenditures were spent during the audit period. The County employees had a lack of understanding over financial statement reporting requirements that would ensure the SEFA was prepared accurately and completely or to provide an adequate secondary review.

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

The County was unable to ensure it correctly reported federal expenditures during the current fiscal year on their SEFA. Additionally, incorrect reporting of federal expenditures on the SEFA may cause the following:

- Increased audit costs because auditors are unable to correctly determine if the grants selected for audit will meet federal requirements
- Repercussion from the federal granting agencies, including reductions in future federal grant awards

### ***Recommendations***

We recommend the County ensures:

- Adequate controls exist to ensure the Schedule of Expenditures of Federal Awards is accurate and complete
- Individuals involved with the preparation and review of the Schedule of Expenditures of Federal Awards are familiar with applicable reporting requirements

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

*Grays Harbor County would like to thank the State Auditor's Office for conducting a thorough audit. The County appreciates the State finding and identifying areas which there can be improvement of our procedures.*

*Due to the retirement of several key employees, this was the first year reporting was done by some of our staff. We have already taken steps for several grant management staff to enroll in training which will enhance their understanding of accounting and reporting requirements. We will continue to make improvements to our year- end review and reporting processes along with reviewing the internal control procedures.*

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

We appreciate the County's commitment to resolving the issues identified above. We will review the corrective action taken during our next audit. We thank the County for its cooperation and assistance during the audit.

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

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

Deficiency in internal control. A deficiency in internal control over financial reporting 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 deficiency in design

exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness.** A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Probable. The future event or events are likely to occur.

**Significant deficiency.** A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

2 CFR 200.502, Uniform Guidance, states in part:

Basis for determining Federal awards expended.

The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.



## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Grays Harbor County January 1, 2016 through December 31, 2016

**2016-002 The County did not have adequate internal controls to ensure compliance with federal allowable costs and cost principles for its Women, Infants and Children (WIC) program.**

<b>CFDA Number and Title:</b>	10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children
<b>Federal Grantor Name:</b>	Food and Nutrition Service, Department of Agriculture
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Washington State Department of Health
<b>Pass-through Award/Contract Number:</b>	C17110
<b>Questioned Cost Amount:</b>	\$0

#### ***Background***

During 2016, the County spent \$293,905 in federal grant funds for this program. The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is designed to provide supplemental nutritious foods, nutrition education and referrals to health care for low-income people during critical periods of growth and development.

Eligible participants for the program include pregnant women, breast-feeding women up to one year after birth, non-breast-feeding women up to six months after birth, infants less than 1 year of age, and children under age 5 determined to be at nutritional risk.

Federal regulations require recipients of federal money to maintain adequate internal controls to ensure federal dollars are spent for allowable purposes and are correctly charged to the program as either direct or indirect costs.

### ***Description of Condition***

The County did not have adequate internal controls over its reimbursement request process to ensure it sought payment from the granting agency only for allowable costs. Our audit found the County calculated a percentage of payroll costs for staff working on multiple programs and incorrectly allocated these expenditures to the grant as direct costs. These amounts totaled \$16,694. Allocations of administrative expenditures should be classified as indirect costs under federal regulations and included in an indirect cost rate. However, the County already uses the de minimis indirect cost rate allowed under Uniform Guidance. Therefore, the payroll costs described above cannot be charged to the program at all.

We consider this control deficiency to be a significant deficiency. This issue was not reported as a finding in the prior audit.

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

County employees did not have an adequate understanding of federal regulations for allowable costs and cost principles, and were not aware that the allocation of administrative payroll expenditures is considered an indirect cost and cannot be charged to the program as direct costs.

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

The County overcharged indirect costs to the federal program, which is not allowed under federal regulations. These costs may be subject to recovery by the granting agency.

### ***Recommendations***

We recommend the County establish and follow internal controls to ensure all costs charged to the program are allowable and properly classified as either direct or indirect costs in accordance with federal regulations.

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

*Beginning with the September 2017 pay period, the Public Health and Social Services Department has instructed employees to code actual time spent completing the work for each grant-funded project as direct time, and to code time spent on activities that benefit multiple cost objectives as indirect time.*

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

We appreciate the County's commitment to resolving the issues identified above. We will review the corrective action taken during our next audit. We thank the County for its cooperation and assistance during the audit.

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

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

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

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303, Internal controls, establishes requirements for management of Federal awards to non-Federal entities.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 413, Direct costs, and section 414, Indirect (F&A) costs, establishes requirements for identification and distinguishing factors of direct and indirect costs applied to Federal awards.

Title 7 *U.S. Code of Federal Regulations* (CFR) Part 246, *Special Supplemental Nutrition Program for Women, Infants and Children*, section 14, Program costs, establishes requirements for allowable nutrition services and administration costs charged to the federal award.

**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, 2016 through December 31, 2016**

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, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 21, 2017.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 that we consider to be significant deficiencies.

## COMPLIANCE AND OTHER MATTERS

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

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

## COUNTY'S RESPONSE TO FINDINGS

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 21, 2017

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

**Grays Harbor County  
January 1, 2016 through December 31, 2016**

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, Grays Harbor County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those

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

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

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

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

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

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

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

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



identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-002 that we consider to be significant deficiencies.

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

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

### **Purpose of this Report**

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

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

Pat McCarthy

State Auditor

Olympia, WA

September 21, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Grays Harbor County January 1, 2016 through December 31, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 21.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

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

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

As described in Note 1, 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, 2016, on the basis of accounting described in Note 1.

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

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

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

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

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 21, 2017

## **FINANCIAL SECTION**

### **Grays Harbor County January 1, 2016 through December 31, 2016**

#### **FINANCIAL STATEMENTS**

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

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

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

**Grays Harbor County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Special Projects</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	48,333,040	-	238,940
30880	Unreserved	5,581,437	5,581,437	-
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	27,727,412	15,089,484	-
320	Licenses and Permits	1,231,153	1,207,307	-
330	Intergovernmental Revenues	20,596,183	4,167,907	944,079
340	Charges for Goods and Services	17,311,240	3,275,227	-
350	Fines and Penalties	1,610,128	1,608,524	-
360	Miscellaneous Revenues	5,241,665	1,168,870	30,000
Total Revenues:		73,717,781	26,517,318	974,079
<b>Expenditures</b>				
510	General Government	15,559,632	10,941,281	-
520	Public Safety	15,255,763	13,400,016	352,320
530	Utilities	2,697,800	-	-
540	Transportation	12,980,687	-	-
550	Natural and Economic Environment	3,793,927	428,460	670,987
560	Social Services	21,367,587	896,263	-
570	Culture and Recreation	1,326,194	211,116	101,209
Total Expenditures:		72,981,589	25,877,136	1,124,515
Excess (Deficiency) Revenues over Expenditures:		736,192	640,183	(150,436)
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	1,311,029	-	-
397	Transfers-In	4,986,104	330,030	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	100,000	50,000	-
381, 395, 398	Other Resources	2,231,756	457,020	-
Total Other Increases in Fund Resources:		8,628,889	837,049	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	9,827,277	84,955	-
591-593, 599	Debt Service	1,802,918	-	-
597	Transfers-Out	4,986,104	1,104,323	37,000
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	12,936,622	50,000	-
581	Other Uses	381,212	-	-
Total Other Decreases in Fund Resources:		29,934,134	1,239,278	37,000
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(20,569,052)</b>	<b>237,955</b>	<b>(187,437)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	27,526,033	-	51,504
5088000	Unreserved	5,819,391	5,819,391	-
<b>Total Ending Cash and Investments</b>		<b>33,345,424</b>	<b>5,819,391</b>	<b>51,504</b>

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

<b>102 Auditor's M &amp; O</b>	<b>103 County Fair</b>	<b>104 Trial Court Improvement</b>	<b>105 Paths &amp; Trails</b>	<b>106 Law Library</b>	<b>107 Affordable Housing</b>
311,116	13,919	123,901	24,685	15,952	631,784
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
57,377	43,298	-	12,185	-	-
46,576	262,222	45,339	-	32,902	70,156
-	-	-	-	-	-
-	302,084	-	99	-	1,257
<b>103,953</b>	<b>607,604</b>	<b>45,339</b>	<b>12,284</b>	<b>32,902</b>	<b>71,413</b>
58,812	-	59,033	-	20,398	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	491,049	-	-	-	-
-	-	-	-	-	-
-	783,241	-	-	-	-
58,812	1,274,290	59,033	-	20,398	-
45,141	(666,686)	(13,694)	12,284	12,504	71,413
-	-	-	-	-	-
-	684,797	-	-	-	-
-	-	-	-	-	-
-	50,000	-	-	-	-
-	-	-	-	-	-
-	734,797	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	50,000	-	-	-	-
-	-	-	-	-	-
<b>45,141</b>	<b>18,111</b>	<b>(13,694)</b>	<b>12,284</b>	<b>12,504</b>	<b>71,413</b>
356,256	32,029	110,207	36,968	28,457	703,197
-	-	-	-	-	-
<b>356,256</b>	<b>32,029</b>	<b>110,207</b>	<b>36,968</b>	<b>28,457</b>	<b>703,197</b>

<b>108 Sheriff's Law Enforcement</b>	<b>109 Crime Victim Penalty Assm</b>	<b>110 Roads</b>	<b>111 Treasurer's M &amp; O</b>	<b>112 Stadium</b>	<b>114 Veterans Relief</b>
115,142	3,206	3,308,937	241,114	1,240,632	50,828
-	-	-	-	-	-
-	-	-	-	-	-
-	-	7,018,768	6,525	1,596,302	43,625
-	-	5,046	-	-	-
-	46,891	7,663,537	-	-	2,652
-	48,566	186,683	86,483	-	-
-	0	-	-	-	-
-	-	26,911	-	964	2
-	95,457	14,900,945	93,008	1,597,266	46,279
-	101,726	-	135,197	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	11,025,363	-	-	-
-	-	-	-	312,222	-
-	-	-	-	-	27,138
-	-	-	-	-	-
-	101,726	11,025,363	135,197	312,222	27,138
-	(6,269)	3,875,582	(42,189)	1,285,044	19,141
-	-	-	-	-	-
-	17,500	-	-	135,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	585,008	-	-	1,782
-	17,500	585,008	-	135,000	1,782
-	-	4,656,035	-	17,477	-
-	-	-	-	-	-
-	-	8,643	-	1,034,439	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,664,677	-	1,051,917	-
-	11,231	(204,087)	(42,189)	368,127	20,923
115,142	14,437	3,104,849	198,926	1,608,759	71,752
-	-	-	-	-	-
<b>115,142</b>	<b>14,437</b>	<b>3,104,849</b>	<b>198,926</b>	<b>1,608,759</b>	<b>71,752</b>



<b>116 Election Reserve</b>	<b>117 Aberdeen Landfill Postclosure</b>	<b>118 ORV Park</b>	<b>129 Public Health &amp; Social Services</b>	<b>130 Real Estate Excise Tax Technology</b>	<b>131 Tax Refund</b>
93,623	1,315,479	117,738	1,093,051	130,436	14,284
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,415	-	-
9,515	-	202,101	2,061,678	1,252	-
73,931	-	-	951,243	-	-
-	-	-	-	-	-
-	8,955	18,900	204,294	-	-
<b>83,446</b>	<b>8,955</b>	<b>221,001</b>	<b>3,222,631</b>	<b>1,252</b>	<b>-</b>
18,908	-	-	951,537	1,616	-
-	-	-	-	-	-
-	170,278	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,081,002	-	-
-	-	230,628	-	-	-
<b>18,908</b>	<b>170,278</b>	<b>230,628</b>	<b>4,032,539</b>	<b>1,616</b>	<b>-</b>
<b>64,538</b>	<b>(161,323)</b>	<b>(9,627)</b>	<b>(809,909)</b>	<b>(364)</b>	<b>-</b>
-	-	-	-	-	-
-	-	50,000	1,068,630	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	70,000	-	-	-	-
<b>-</b>	<b>70,000</b>	<b>50,000</b>	<b>1,068,630</b>	<b>-</b>	<b>-</b>
9,004	-	-	-	-	-
-	-	-	-	-	-
-	-	135,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	311,212	-	-	-	-
<b>9,004</b>	<b>311,212</b>	<b>135,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>55,534</b>	<b>(402,535)</b>	<b>(94,627)</b>	<b>258,721</b>	<b>(364)</b>	<b>-</b>
149,157	912,943	23,111	1,351,774	130,071	14,284
-	-	-	-	-	-
<b>149,157</b>	<b>912,943</b>	<b>23,111</b>	<b>1,351,774</b>	<b>130,071</b>	<b>14,284</b>

<b>132 Excise/Revaluation</b>	<b>135 Emergency Communication Tax</b>	<b>139 Chemical Dependency/MH/T herapy Court</b>	<b>140 Mental Health</b>	<b>145 Homeless Housing</b>	<b>160 Cowlitz County Mental Health</b>
40,354	-	4,233,932	13,453,950	1,762,162	8,620,129
-	-	-	-	-	-
-	-	-	-	-	-
-	1,635,030	1,003,730	-	-	-
-	-	-	-	-	-
11,363	-	-	1,210,171	1,296,378	332,965
10,723	-	-	2,337,451	370,666	3,333,194
-	-	-	-	-	-
-	426	14,506	13,791	5,100	7,998
22,085	1,635,455	1,018,236	3,561,413	1,672,144	3,674,156
-	-	-	-	-	-
-	1,503,427	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,351	-
-	-	373,278	10,519,966	1,723,367	4,746,574
-	-	-	-	-	-
-	1,503,427	373,278	10,519,966	1,725,718	4,746,574
22,085	132,029	644,958	(6,958,553)	(53,574)	(1,072,417)
-	-	-	-	-	-
-	-	-	145,705	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	145,705	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	519,481	201,222	155,000	-
-	-	-	-	-	-
-	-	-	5,288,910	-	7,547,712
-	-	-	-	-	-
-	-	519,481	5,490,132	155,000	7,547,712
22,085	132,029	125,477	(12,302,980)	(208,574)	(8,620,129)
62,439	132,028	4,359,409	1,150,970	1,553,588	-
-	-	-	-	-	-
62,439	132,028	4,359,409	1,150,970	1,553,588	-

201 LTGO Refunding Bonds 2012	206 LOCAL Program Fin- Energy Retrofit	207 LOCAL Program Fin-Jail Security	301 Facilities Capital	302 Software Replacement Reserve	303 Fair Building Construction
-	-	-	-	5	64,336
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	90,000
-	-	-	-	-	6,036
-	-	-	-	-	-
-	-	-	-	-	22,000
-	-	-	-	-	118,036
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	118,036
-	-	-	-	-	566,662
782,788	45,250	37,916	172,982	100,000	195,879
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,212	300,000
782,788	45,250	37,916	172,982	111,212	1,062,541
-	-	-	22,982	30,727	1,086,216
782,788	45,250	37,916	-	2,601	1,644
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	70,000	-
782,788	45,250	37,916	22,982	103,328	1,087,860
(1)	0	0	150,001	7,884	92,717
-	-	-	150,000	7,889	157,053
-	-	-	-	-	-
-	-	-	150,000	7,889	157,053

305 Reserve for Courtroom Construction	307 Cumulative Reserve Construction	309 Capital Improvements	310 Distressed Area Capital	401 Solid Waste	402 Hogan's Corner Water System
-	978,162	305,796	1,937,253	214,654	224,333
-	-	-	-	-	-
-	-	-	-	-	-
-	-	418,149	908,254	-	-
-	-	-	-	-	-
-	-	-	-	376,091	-
-	-	-	2,700	1,235,695	245,050
-	-	-	-	-	-
-	216,750	117	2,095	5,822	389
-	216,750	418,267	913,049	1,617,608	245,439
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,490,127	104,422
-	-	-	-	-	-
-	-	-	463,931	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	463,931	1,490,127	104,422
-	216,750	418,266	449,118	127,481	141,017
-	197,183	-	-	-	-
300,000	-	-	-	-	50,000
-	-	-	-	-	-
-	-	-	-	-	-
-	100,000	-	-	-	-
300,000	297,183	-	-	-	50,000
-	190,736	-	-	-	-
-	5,668	-	81,600	-	155,934
-	702,520	325,000	732,780	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	898,924	325,000	814,380	-	155,934
<b>300,000</b>	<b>(384,991)</b>	<b>93,266</b>	<b>(365,262)</b>	<b>127,481</b>	<b>35,083</b>
300,000	593,171	399,063	1,571,991	342,135	259,416
-	-	-	-	-	-
<b>300,000</b>	<b>593,171</b>	<b>399,063</b>	<b>1,571,991</b>	<b>342,135</b>	<b>259,416</b>

<b>403 Tax Title Management</b>	<b>404 Pacific Beach Sewer System</b>	<b>405 Pacific Beach/Moclips Water System</b>	<b>406 North Beach Water System</b>	<b>407 Illahee Oyehtut Sewer System</b>	<b>501 Equipment Rental &amp; Revolving</b>
3,597,021	856,686	531,471	57,766	-	1,429,553
-	-	-	-	-	-
-	-	-	-	-	-
7,545	-	-	-	-	-
13,385	-	-	-	-	-
-	-	-	25,400	2,035,921	5,422
5,082	658,467	548,587	94,187	432,850	748,049
-	1,604	-	-	-	-
168,896	147,375	1,827	1,526	-	2,849,805
194,908	807,446	550,414	121,113	2,468,771	3,603,276
-	-	-	-	-	871,941
-	-	-	-	-	-
-	492,303	324,571	109,606	6,493	-
-	-	-	-	-	1,955,323
1,424,927	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,424,927	492,303	324,571	109,606	6,493	2,827,264
(1,230,019)	315,143	225,843	11,507	2,462,278	776,012
-	-	-	-	547,185	-
-	218,833	-	-	440,000	-
-	-	-	-	-	-
-	-	-	-	-	-
705,284	-	-	-	-	1,450
705,284	218,833	-	-	987,185	1,450
-	-	-	-	2,974,229	696,860
-	689,518	-	-	-	-
4,797	21,329	-	-	-	4,570
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,797	710,847	-	-	2,974,229	701,430
<b>(529,532)</b>	<b>(176,871)</b>	<b>225,843</b>	<b>11,507</b>	<b>475,234</b>	<b>76,032</b>
3,067,489	679,815	757,314	69,273	475,235	1,505,585
-	-	-	-	-	-
<b>3,067,489</b>	<b>679,815</b>	<b>757,314</b>	<b>69,273</b>	<b>475,235</b>	<b>1,505,585</b>

<b>503 Central Services</b>	<b>504 Management Services</b>
504,103	436,608
-	-
-	-
-	-
-	-
-	-
1,036,964	1,166,213
-	-
15,272	5,634
<u>1,052,237</u>	<u>1,171,847</u>
1,005,712	1,393,471
-	-
-	-
-	-
-	-
-	-
-	-
<u>1,005,712</u>	<u>1,393,471</u>
46,524	(221,624)
-	-
24,464	186,330
-	-
-	-
-	-
<u>24,464</u>	<u>186,330</u>
58,058	-
-	-
-	-
-	-
-	-
-	-
<u>58,058</u>	<u>-</u>
<b>12,930</b>	<b>(35,294)</b>
517,033	401,313
-	-
<u>517,033</u>	<u>401,313</u>

**Grays Harbor County**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>627 Treasurer's Trust</b>	<b>636 Court Trust Funds</b>	<b>637 Inmate Trust Fund</b>
308	Beginning Cash and Investments	2,524,446	1,476,261	409,635	14,514
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	12,954,161	-	-	-
380-390	Other Increases and Financing Sources	16,614,111	1,617,515	7,489,013	248,079
510-570	Expenditures	60,256	-	-	-
580-590	Other Decreases and Financing Uses	28,864,642	1,868,988	6,519,189	243,105
Net Increase (Decrease) in Cash and Investments:		643,374	(251,473)	969,824	4,974
508	Ending Cash and Investments	3,167,820	1,224,788	1,379,458	19,488

		<b>642 Interagency Drug Taskforce</b>	<b>649 Boating Safety Reg Fees</b>	<b>652 State Of Washington</b>	<b>676 Real Estate Excise - State</b>
308	Beginning Cash and Investments	80,320	44,290	377,403	122,024
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	1,755	-	12,952,121	285
380-390	Other Increases and Financing Sources	60,000	21,503	2,837,161	4,340,840
510-570	Expenditures	60,256	-	-	-
580-590	Other Decreases and Financing Uses	-	55,779	15,861,286	4,316,295
Net Increase (Decrease) in Cash and Investments:		1,499	(34,276)	(72,004)	24,830
508	Ending Cash and Investments	81,819	10,014	305,399	146,854

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

**GRAYS HARBOR COUNTY, WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**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.

#### 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:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<b>General Fund:</b>			
Assessor <sup>[2]</sup>	\$1,444,286	\$1,261,571	\$182,715
Auditor <sup>[2]</sup>	797,085	751,094	45,991
Board Of Equalization	62,000	48,305	13,695
Civil Service	22,000	19,495	2,505
Clerk	685,000	674,507	10,493
Commissioners	465,000	458,757	6,243
Environmental Health <sup>[2]</sup>	680,000	670,753	9,247
Coroner	260,557	225,509	35,048
Facility Services <sup>[2]</sup>	1,050,000	1,038,200	11,800
Corrections <sup>[2]</sup>	3,650,354	3,623,147	27,207
LEOFF 1 Disability Board	10,145	8,459	1,686
Boundary Review Board	7,800	6,831	969
WSU Extension & Noxious Weed	218,927	207,382	11,545
District Court	1,275,000	1,247,544	27,456
Emergency Management	180,774	159,928	20,846
Juvenile	2,350,000	2,235,756	114,244
LEOFF 1 Benefits	282,000	242,591	39,409
Planning & Building	888,000	795,578	92,422
Prosecutor <sup>[2]</sup>	2,210,000	2,190,647	19,353
Security	369,385	368,288	1,097
Sheriff	6,786,104	6,520,697	265,407
Superior Court	740,000	728,086	11,914
Treasurer	614,185	588,431	25,754
Public Defense	1,200,000	1,199,986	14
Park & Vegetation Mgmt <sup>[2]</sup>	119,300	104,731	14,569
Advanced Expenditure <sup>[2]</sup>	285,000	280,932	4,068
Non-Departmental	1,913,801	1,565,658	348,143
<b>Total General Fund</b>	<b>\$28,566,703</b>	<b>\$27,222,864</b>	<b>\$1,343,839</b>
<b>Miscellaneous Funds:</b>			
Special Projects	\$2,006,192	\$1,161,515	\$844,677

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Auditor's M&O	124,482	58,812	65,670
County Fair	1,520,736	1,324,290	196,446
Trial Court Improvement	59,800	59,033	767
Law Library	23,484	20,398	3,086
Affordable Housing	53,000	0	53,000
Sheriff's Law Enforcement <sup>[1]</sup>	20,000	0	20,000
Federal Equitable Sharing <sup>[1]</sup>	96,245	0	96,245
Crime Victim Penalty Assm	101,726	101,726	0
Roads	16,882,738	15,690,041	1,192,697
Treasurer's M&O	175,325	135,197	40,128
Stadium <sup>[1]</sup>	659,650	391,541	268,109
Tourism <sup>[1]</sup>	1,031,468	972,597	58,871
Veterans Relief	48,184	27,138	21,046
Election Reserve	33,510	27,912	5,598
Aberdeen Landfill Postclosure	620,100	481,491	138,609
ORV Park	434,399	365,628	68,771
Public Health & Social Services	4,480,305	4,032,539	447,766
Real Estate Excise Tax Technology	20,000	1,616	18,384
Excise/Revaluation Maintenance	31,000	0	31,000
Emergency Communication Tax	1,890,000	1,503,427	386,573
Chemical Dep/MH/Therapy Court	1,861,891	892,759	969,132
Mental Health <sup>[1]</sup>	9,848,887	9,797,563	51,324
Substance Abuse <sup>[1]</sup>	254,567	254,562	5
Developmental Disabilities <sup>[1]</sup>	658,620	645,787	12,833
Mental Health RSN Risk Reserve <sup>[1]</sup>	978,563	978,880	(317)
MH Inpatient <sup>[1]</sup>	361,765	361,850	(85)
MH Operating Reserve <sup>[1]</sup>	3,872,192	3,873,455	(1,263)
MH/Dev Disability Services Levy <sup>[1]</sup>	98,000	98,000	0
Homeless Housing	2,275,000	1,880,718	394,282
Cowlitz County Mental Health <sup>[1]</sup>	5,471,334	5,471,333	1
MH Risk Reserve Cowlitz Co <sup>[1]</sup>	311,206	311,206	0
MH Inpatient Res Cowlitz Co <sup>[1]</sup>	1,057,745	1,058,125	(380)
MH Operating Res Cowlitz Co <sup>[1]</sup>	1,863,642	1,864,313	(671)
MH Encumbered Res Cowlitz Co <sup>[1]</sup>	3,588,582	3,589,308	(726)
LTGO Refunding Bonds 2012	782,989	782,788	202
LOCAL Program Fin-Energy Retrofit	45,751	45,250	501
LOCAL Program Fin-Jail Security	38,417	37,916	501
Facilities Capital	100,000	22,982	77,019
Software Replacement Reserve	199,200	103,328	95,872
Fair Building Construction	2,200,000	1,087,860	1,112,140
Reserve for Courtroom Construction	300,000	0	300,000

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Cumulative Reserve Construction	970,476	898,924	71,552
Capital Improvements	325,000	325,000	0
Distressed Area Capital	2,179,229	1,278,311	900,918
Solid Waste Plan	1,505,654	1,490,127	15,527
Hogan's Corner Water System	273,655	260,356	13,299
Tax Title Management	2,123,033	1,429,724	693,309
Pacific Beach Sewer M&O <sup>[1]</sup>	1,219,916	1,006,699	213,217
Pacific Beach Sewer SRF Loan Reserve <sup>[1]</sup>	17,303	17,302	1
Pacific Beach Sewer Bond ULID #7 <sup>[1]</sup>	95,301	95,292	9
Pacific Beach Sewer Bond ULID #8 <sup>[1]</sup>	83,870	83,857	13
Pacific Beach/Moclips Water System M&O	527,851	324,571	203,280
North Beach Water System	136,768	109,606	27,162
Illahee Oyehtut Sewer System <sup>[1]</sup>	26,500	6,493	20,007
Illahee Oyehtut Sewer Construction <sup>[1]</sup>	4,418,742	2,974,229	1,444,513
Equipment Rental & Revolving <sup>[1] [2]</sup>	4,397,280	3,593,495	803,785
E R & R Replacement <sup>[1] [2]</sup>	841,000	836,648	4,352
Central Services <sup>[1] [2]</sup>	1,125,675	1,050,176	75,499
C S Replacement <sup>[1] [2]</sup>	40,000	33,594	6,406
Management Services	1,430,387	1,393,471	36,916
<b>Total Miscellaneous Funds</b>	<b>\$88,218,335</b>	<b>\$76,720,760</b>	<b>\$11,497,575</b>
<b>County Totals</b>	<b>\$116,785,038</b>	<b>\$103,943,624</b>	<b>\$12,841,414</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 2016:

Fund	Original Appropriation	Amendments	Final Appropriation
<b><u>General Fund</u></b>	\$27,173,056	\$1,393,647	\$28,566,703
<b><u>Miscellaneous Funds</u></b>			

und	Original Appropriation	Amendments	Final Appropriation
Special Projects	\$1,124,470	\$881,722	\$2,006,192
Trial Court Improvement	52,000	7,800	59,800
Treasurer's M&O	90,325	85,000	175,325
Stadium	308,080	351,570	659,650
Tourism	956,468	75,000	1,031,468
Election Reserve	12,495	21,015	33,510
Aberdeen Landfill Postclosure	320,100	300,000	620,100
ORV Park	334,399	100,000	434,399
Public Health & Social Services	4,090,305	390,000	4,480,305
Chemical Dep/MH/Therapy Court	1,794,291	67,600	1,861,891
Mental Health	9,207,629	641,258	9,848,887
Substance Abuse	231,222	23,345	254,567
Mental Health RSN Risk Reserve	998,806	(20,243)	978,563
MH Inpatient	361,636	129	361,765
MH Operating Reserve	3,870,400	1,792	3,872,192
MH/Dev Disability Services Levy	95,000	3,000	98,000
Homeless Housing	2,250,666	24,334	2,275,000
Cowlitz County Mental Health	4,515,581	955,753	5,471,334
MH Risk Reserve Cowlitz Co	100,601	210,605	311,206
MH Inpatient Res Cowlitz Co	1,056,867	878	1,057,745
MH Operating Res Cowlitz Co	1,862,220	1,422	1,863,642
MH Encumbered Res Cowlitz Co	3,013,100	575,482	3,588,582
Software Replacement Reserve	174,200	25,000	199,200
Fair Building Construction	1,012,276	1,187,724	2,200,000
Reserve for Courtroom Construction	0	300,000	300,000
Cumulative Reserve Construction	479,740	490,736	970,476
Distressed Area Capital	1,709,229	470,000	2,179,229
Solid Waste Plan	1,750,496	(244,842)	1,505,654
Tax Title Management	1,793,033	330,000	2,123,033
Pacific Beach Sewer M&O	1,082,916	137,000	1,219,916
Pacific Beach Sewer SRF Loan Reserve	17,275	28	17,303
Illahee Oyehut Sewer System	0	26,500	26,500
Illahee Oyehut Sewer Construction	3,070,000	1,348,742	4,418,742
Equipment Rental & Revolving	4,599,011	(201,731)	4,397,280
E R & R Replacement	601,000	240,000	841,000
Central Services	1,100,675	25,000	1,125,675
Management Services	1,366,787	63,600	1,430,387
<b>Total Miscellaneous Amendments</b>	\$55,403,299	\$8,895,219	\$64,298,518
<b>Total Amendments</b>	<b>\$82,576,355</b>	<b>\$10,288,866</b>	<b>\$92,865,221</b>

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

I. **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:

Fund	Fund Name	Specific Purpose	Amount
101	Special Projects	Reserved for grant projects and special projects as designated by the Board of County Commissioners	\$51,504
102	Auditor's M&O	Restricted per RCW 36.22.170 and Resolution 89-64, installation and maintenance of an improved system	\$356,256
103	County Fair	Reserved for fair operations	\$32,029
104	Trial Court Improvement	Restricted per RCW 3.58.060	\$110,207
105	Paths & Trails	Restricted per RCW 47.30	\$36,968
106	Law Library	Restricted per RCW 27.24.010 & 070	\$28,457
107	Affordable Housing	Restricted per RCW 36.22 and Resolution 2002-43, funds to be used for very low income housing projects	\$703,197

<b>Fund</b>	<b>Fund Name</b>	<b>Specific Purpose</b>	<b>Amount</b>
<b>108</b>	<b>Sheriff's Law Enforcement</b>	Reserved for law enforcement purposes	\$115,142
<b>109</b>	<b>Crime Victim Penalty</b>	Restricted per RCW 7.69	\$14,437
<b>110</b>	<b>Roads</b>	Restricted per RCW 36.82.010	\$3,104,849
<b>111</b>	<b>Treasurer's M&amp;O</b>	Restricted per RCW 84.56.020	\$198,926
<b>112</b>	<b>Stadium/Tourism</b>	Restricted per RCW 67.28 & Ordinance 98-248	\$1,608,759
<b>114</b>	<b>Veteran's Relief</b>	Restricted per RCW 73.08.080	\$71,752
<b>116</b>	<b>Election Reserve</b>	Reserved for expenses associated with conducting regular and special state and county elections, including maintenance and equipment replacement	\$149,157
<b>117</b>	<b>Aberdeen Landfill Postclosure</b>	Reserved for post closure care and monitoring of landfill facilities	\$912,943
<b>118</b>	<b>ORV Park</b>	Reserved for Straddleline ORV Park operations	\$23,111
<b>129</b>	<b>Public Health &amp; Social Services</b>	Reserved for the administration of Public Health & Social Services	\$1,351,774
<b>130</b>	<b>REET Electronic Technology</b>	Reserved for development, implementation and maintenance of electronic process and reporting system for the real estate excise tax affidavits	\$130,071
<b>131</b>	<b>Tax Refund</b>	Reserved for refunding of over levied taxes	\$14,284
<b>132</b>	<b>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	\$62,439
<b>135</b>	<b>Emergency Communication Tax</b>	Reserved for collection and remitting of emergency communications portion of local sales tax	\$132,028
<b>139</b>	<b>Chemical Dep/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	\$4,359,409
<b>140</b>	<b>Mental Health</b>	Reserved due to restrictions on grant revenue for mental health, substance abuse and developmental disabilities	\$1,150,970
<b>145</b>	<b>Homeless Housing</b>	Reserved for costs related to the homeless housing program and reducing homelessness	\$1,553,588
<b>160</b>	<b>Cowlitz County Mental Health</b>	Reserved for revenue and expenditures to administer mental health services on behalf of Cowlitz County.	\$0

Fund	Fund Name	Specific Purpose	Amount
301	Facilities Capital	Reserved for the acquisition or construction of general capital assets and improvements	\$150,000
302	Software Replacement	Reserved for acquisition of major computer software systems	\$7,889
303	Fair Building Construction	Reserved for acquisition or construction of buildings and improvements at the fairgrounds	\$157,053
305	Reserve for Courtroom Construction	Reserved for construction of courtrooms for Superior and District Courts	\$300,000
307	Cumulative Reserve for Construction	Restricted per RCW 36.33.020	\$593,171
309	Capital Improvements	Restricted per RCW 35.43.040	\$399,063
310	Distressed Area Capital	Restricted per RCW 82.14.370	\$1,571,991
401	Solid Waste Plan	Reserved for solid waste management services, constructing, purchasing of facilities, equipment, and properties for solid waste activities	\$342,135
402	Hogan's Corner Water System	Reserved for maintenance, upgrades, and support activities of the water system	\$259,416
403	Tax Title Management	Reserved to administer and manage County timber land and tax title property	\$3,067,489
404	Pacific Beach Sewer System	Reserved for maintenance, upgrades, and support activities of the sewer system	\$679,815
405	Pacific Beach/Moclips Water System	Reserved for maintenance, upgrades, and support activities of the water system	\$757,314
406	North Beach Water System	Reserved for maintenance, upgrades, and support activities of the water system	\$69,273
407	Illahee Oyehut Sewer/Construction	Reserved for construction and operation of the sewer system	\$475,235
501	Equipment Rental & Revolving	Restricted per RCW 36.33A.010-060	\$1,505,585
503	Central Services	Reserved for software development, purchases and support, computer purchases and replacement, GIS related functions	\$517,033
504	Management Services	Reserved for insurance and risk management, human resources, budget, payroll services and grants management	\$401,313
		<b>Reserved Ending Cash Total</b>	<b>\$27,526,033</b>

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

It is the County's policy to invest all temporary cash surpluses. \*These funds are invested in accordance with RCW 36.29.020.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance



Corporation. All investments are insured, registered, and held by the County or its agent in the government's name.

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

Type of Investments	GH County Owned Investments	Investments Held by GH County as Agent	*GH County Residual Cash	Total
<b>LGIP</b>	\$7,600,472	\$26,389,834	\$17,057,829	\$51,048,135
<b>US Gov't Securities</b>			5,992,393	\$5,992,393
<b>**Money Market</b>	2,000,000	6,233,700	11,850,000	\$20,083,700
<b>Totals</b>	<b>\$9,600,472</b>	<b>\$32,623,534</b>	<b>\$34,900,222</b>	<b>\$77,124,228</b>

\*General Fund, Miscellaneous Fund's and Fiduciary Fund's uninvested cash balances (residual cash) swept into investments on behalf of the County.

\*\* Bank of the Pacific Money Market bank statement has \$1,132.73 interest that will not be realized until withdrawn and deposited to the general fund.

### Compensating Balances

Grays Harbor County maintains compensating balances in lieu of payment for banking services. The County established a money market account at Bank of the Pacific for this purpose. At Key Bank, checking account balances provide for daily cash liquidity and act as a compensating balance. The average combined balance needed to support services in 2016 was \$11,080,312.

### 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 2016 was \$1.7551101 per \$1,000 on an assessed valuation of \$5,835,628,957 for a total regular levy of \$10,242,171. There was also a levy for Veteran's Relief of \$0.0068544 per \$1,000 totaling \$40,000.

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 2016 was \$2.2500000 per \$1,000 on an assessed valuation of \$2,542,648,216 for a total road levy of \$5,720,958.

### Note 4 – Interfund Loans

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	1/01/16 Balance	New Loans	Payments	12/31/16 Balance
Software Replacement Reserve	Landfill Postclosure	\$124,801	\$11,212	\$70,000	\$66,013
Fair Building Construction	Landfill Postclosure	-	300,000	-	300,000
	<b>Total Interfund Loans</b>	<b>\$124,801</b>	<b>\$311,212</b>	<b>\$70,000</b>	<b>\$366,013</b>

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

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

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

Year	Principal	Interest	Total
2017	\$1,332,964	\$190,696	\$1,523,660
2018	1,289,518	168,200	1,457,718
2019	1,306,267	143,646	1,449,913
2020	1,253,347	108,222	1,361,569
2021	1,159,305	76,611	1,235,916
2022-2026	2,612,628	98,070	2,710,698
2027-2031	1,040,980	9,876	1,050,856
<b>Totals</b>	<b>\$9,995,009</b>	<b>\$795,321</b>	<b>\$10,790,330</b>

#### **Note 6 – Pension Plans**

##### **A. State Sponsored Pension Plans**

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

The State Legislature establishes, and amends, laws pertaining to the creation and

administration of all public retirement systems.

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

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

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

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

	Allocation %	Liability (Asset)
<b>PERS 1</b>	0.154765%	\$8,311,609
<b>PERS 2/3</b>	0.156826%	\$7,896,065
<b>PSERS 2</b>	0.637650%	\$270,988
<b>LEOFF 1</b>	0.030765%	(\$316,967)
<b>LEOFF 2</b>	0.104795%	(\$609,519)

#### LEOFF Plan 1

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

#### LEOFF Plan 2

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

#### **Note 7 – Other Post Employment Benefits**

The County has a commitment to pay benefits for active and retired employees that are members of the LEOFF1 retirement system. These benefits include medical, vision, nursing care, etc. Seventeen retirees received benefits during the year and \$242,591 was paid out for those benefits during the year. The cost of health care benefits is recognized in the General

Fund when the claim is paid.

#### **Note 8 – Risk Management**

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$20 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2016, Grays Harbor County selects a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2015-16, this “corridor” increased the SIR to \$2 million, but with an aggregated stop loss of \$3.45 million. Other reinsurance agreements respond to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

process claims for the periods that the former members were signatories to the Interlocal Agreement.

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

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

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

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

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

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

**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, 2016 is as follows:

	Total	County
Revenue	\$154,816	\$99,008
Expenditures	\$540,189	\$246,114

**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.

In 2014 the County entered into a 20 year contract extension with Waste Connections, Inc. (dba LeMay Enterprises, Inc.) for the operation of the central transfer station and disposal of the

waste. As per section 13 of the contract; the landfill agreement remains in full force and effect and the County shall continue to maintain the post closure account.

**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 (CBP) 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.

The County and Confederated Tribes of the Chehalis Reservation entered into a memorandum of agreement for the purposes of:

- Securing a Watershed Coordinator to assist the CBP in the implementation of the Chehalis Basin Watershed Management Plan and the Detailed Implementation Plan; and
- Securing a Lead Entity Coordinator to assist the Grays Harbor/Chehalis Basin Lead Entity for Salmon Recovery in the coordination and implementation of the WRIA 22-23 Chehalis Basin Salmon Habitat Restoration and Preservation Work Plan.

Funding for the Watershed Coordinator will come from donations or other grant sources and funding for the Lead Entity Coordinator will come from the Washington State Recreation and Conservation Office (RCO).

The County shall reimburse the Confederated Tribes for expenses of the Watershed Coordinator/Lead Entity Coordinator in an amount up to \$84,000.

Revenues and expenditures for 2016 are as follows:

	Revenue	Expenditures
<b>CBP Watershed Coordinator</b>	\$30,000	\$12,641
<b>RCO Lead Entity Grant</b>	64,207	64,272
<b>Grand Total</b>	<b>\$94,207</b>	<b>\$76,914</b>

**Note 12 – Other Disclosures**

**Department of Revenue**

The County requested an administrative review of the Department of Revenue's (DOR) 2016 ruling related to payment of B&O taxes, specifically as to whether the County is an "operator" of the Central Transfer Station for purposes of paying B&O taxes under a new contract signed in 2014. In February 2017, DOR ruled that the County was liable for B&O taxes on the entire amount collected by the operator of the Central Transfer Station. The County has not yet decided whether to appeal the decision.

**Miscellaneous Claims**

The County is occasionally the defendant in various claims including miscellaneous emotional distress, false arrests, jail complaints, slip and fall, wrongful termination, and violations of the Public Records Act. As of December 31, 2016 there are 8 outstanding or possible claims of the type which the County is defending and expects to prevail or have dismissed for lack of merit.

#### Interlocal Agreement

The County has a short-term interlocal agreement between Grays Harbor County and Cowlitz County to administer funds apportioned to Cowlitz County from Southwest Washington Behavioral Health RSN.

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 from July 1, 2015 to April 1, 2016. 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.

#### Budget Compliance

The following funds were part of the Cowlitz County Mental Health Fund interlocal agreement. The contract ended on April 1, 2016 and all funds in the accounts were disbursed to Great Rivers Behavioral Health Organization. After the disbursement the County received investment interest on the funds that was not accounted for in the budget.

<u>Miscellaneous Funds:</u>	<u>Over Budget</u>
<b>Mental Health RSN Risk Reserve</b>	\$317
<b>MH Inpatient</b>	\$85
<b>MH Operating Reserve</b>	\$1,263
<b>MH Inpatient Res Cowlitz Co</b>	\$380
<b>MH Operating Res Cowlitz Co</b>	\$671
<b>MH Encumbered Res Cowlitz Co</b>	\$726

#### Construction Commitment

The County has active construction projects as of December 31, 2016. The projects include: pavilion roof replacement, heating and ventilation (HV) system replacement, and new sewer construction.

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

Project	Spent to Date	Remaining Commitment
Fair Pavilion Roof/HV System	\$1,240,594	\$528,097
Illahee/Oyehut Sewer Construction	\$2,230,877	\$515,494



(The committed balance of \$1,043,591 is fully financed)

Financing arrangements for each project are:

- Fair Pavilion Roof/HV System project is financed by USDA Loan and Limited Tax General Obligation Bonds.
- Illahee/Oyehut Sewer Construction project is financed by SRF Loan, SRF Forgivable Principal and Centennial Grant.

**Grays Harbor County**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2016**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	Limited Tax GO Bonds 2012	12/1/2023	5,010,000	-	665,000	4,345,000
251.11	Limited Tax GO Bonds 2016 - FG	12/1/2046	-	566,662	-	566,662
263.81	CERB Loan C2001-141	7/22/2022	260,992	-	36,181	224,811
263.81	CERB Loan C1999-122PW	7/23/2023	313,602	-	36,538	277,064
263.96	Local Program 0121-2-1	6/1/2020	168,531	-	30,890	137,640
263.96	Local Program 0121-3-1	6/1/2023	299,195	-	31,730	267,465
263.96	Local Program 0121-4-1	6/1/2026	-	165,000	-	165,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>6,052,319</b>	<b>731,662</b>	<b>800,338</b>	<b>5,983,642</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	Water & Sewer Revenue Bonds 1999	6/22/2019	341,785	-	79,912	261,873
252.11	Sewer Revenue Bonds 2000	5/5/2020	368,064	-	67,294	300,770
263.82	SRF Loan, 1996	5/15/2016	14,531	-	14,531	0
263.82	DWSRF 2009	10/1/2028	1,793,932	-	137,995	1,655,937
263.82	SRF Loan 2016	1/1/2039	-	547,185	-	547,185
263.88	PWTF Loan 1997	7/1/2017	128,947	-	64,474	64,473
263.88	PWTF Loan 2012	6/1/2031	2,711,801	-	416,835	2,294,966
259.12	Compensated Absences Liability-Govtl		1,402,673	-	105,568	1,297,105
259.12	Compensated Absences Liability-Prop		270,580	-	31,541	239,039
264.30	Pension Liabilities		14,221,602	2,257,061	-	16,478,663
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>21,253,914</b>	<b>2,804,246</b>	<b>918,149</b>	<b>23,140,011</b>
<b>Total Liabilities:</b>			<b>27,306,233</b>	<b>3,535,908</b>	<b>1,718,487</b>	<b>29,123,653</b>

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture	National School Lunch Program	10.555	NA	-	4,614	4,614	-	
	Total Child Nutrition Cluster:			-	4,614	4,614	-	
	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17110	293,905	-	293,905	-	3b
SNAP Cluster								
Food And Nutrition Service, Department Of Agriculture (via State of WA Dept of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C17110	37,865	-	37,865	-	3c
	Total SNAP Cluster:			37,865	-	37,865	-	
Food And Nutrition Service, Department Of Agriculture (via State of WA Dept of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17110	215	-	215	-	
	Forest Service Schools and Roads Cluster							
Forest Service, Department Of Agriculture (via US Forest Service)	Schools and Roads - Grants to States	10.665	Title 111-County Projects	15,743	-	15,743	-	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	Title I	-	151,019	151,019	-	
Total Forest Service Schools and Roads Cluster:				15,743	151,019	166,762	-	
Community Facilities Loans and Grants Cluster								
Rural Housing Service, Department Of Agriculture	Community Facilities Loans and Grants	10.766	Pavilion Roof/HVAC	-	566,662	566,662	-	4c
	Total Community Facilities Loans and Grants Cluster:			-	566,662	566,662	-	

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15-62210-006	111,130	-	111,130	108,646	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	16-62210-006	447	-	447	-	
<b>Total CFDA 14.228:</b>				<b>111,577</b>	<b>-</b>	<b>111,577</b>	<b>108,646</b>	
Bureau Of Justice Assistance, Department Of Justice (via none)	Bulletproof Vest Partnership Program	16.607	Company ID 9101036151	2,323	-	2,323	-	
Bureau Of Justice Assistance, Department Of Justice (via none)	Bulletproof Vest Partnership Program	16.607	Company ID 9101036151	4,590	-	4,590	-	
<b>Total CFDA 16.607:</b>				<b>6,913</b>	<b>-</b>	<b>6,913</b>	<b>-</b>	
Bureau Of Justice Assistance, Department Of Justice (via WA St Dept Commerce/City of Aberdeen)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M15-31440-00	16,576	-	16,576	-	
Bureau Of Justice Assistance, Department Of Justice (via WA St Dept Commerce/City of Aberdeen)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F16-31440-001	5,345	-	5,345	-	
Bureau Of Justice Assistance, Department Of Justice (via WA State Dept of Commerce/City of Aberdeen)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F16-31440-001	15,440	-	15,440	-	
<b>Total CFDA 16.738:</b>				<b>37,361</b>	<b>-</b>	<b>37,361</b>	<b>-</b>	

**Highway Planning and Construction Cluster**

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (384) LA-8567	719,583	-	719,583
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	BROS-2014 (099) LA-8565	144,281	-	144,281
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPD-2014 (075) LA-7835	40,780	-	40,780
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	BROS-2014 (077) LA-7936	395,345	-	395,345
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	BROS-2014 (078) LA-7937	1,701,910	-	1,701,910
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	BRS-Z141(005) LA-8562	119,962	-	119,962
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	ER-1502(007) LA-8575	10,274	-	10,274
		Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	BRS-2014(100) LA-8566	400,340	-	400,340

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	ER-1602(016) LA-8877	834,227	-	834,227	-	
<b>Total Highway Planning and Construction Cluster:</b>				<b>4,366,702</b>	<b>-</b>	<b>4,366,702</b>	<b>-</b>	
<b>Highway Safety Cluster</b>								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	16ST-07	62,494	-	62,494	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	812	-	812	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	952	-	952	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	7,628	-	7,628	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	6,463	-	6,463	-	
<b>Total CFDA 20.600:</b>				<b>78,350</b>	<b>-</b>	<b>78,350</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	NA	2,288	-	2,288	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	NA	229	-	229	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	NA	11,585	-	11,585	-	
<b>Total CFDA 20.616:</b>				<b>14,101</b>	<b>-</b>	<b>14,101</b>	<b>-</b>	
<b>Total Highway Safety Cluster:</b>				<b>92,451</b>	<b>-</b>	<b>92,451</b>	<b>-</b>	
<b>Clean Water State Revolving Fund Cluster</b>								
Office Of Water, Environmental Protection Agency (via State of WA Dept of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2015GHCoPS-0058	547,185	-	547,185	-	4b
Office Of Water, Environmental Protection Agency (via State of WA Dept of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2015GHCoPS-0058	588,091	-	588,091	-	4a
<b>Total Clean Water State Revolving Fund Cluster:</b>				<b>1,135,276</b>	<b>-</b>	<b>1,135,276</b>	<b>-</b>	
<b>Drinking Water State Revolving Fund Cluster</b>								
Office Of Water, Environmental Protection Agency (via WA State Dept of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N21552	9,400	-	9,400	-	
Office Of Water, Environmental Protection Agency (via WA State Dept of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N21543	16,000	-	16,000	-	

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
	<b>Total Drinking Water State Revolving Fund Cluster:</b>			<b>25,400</b>	<b>-</b>	<b>25,400</b>	<b>-</b>	
Office Of Water, Environmental Protection Agency (via WA State Dept of Health)	Beach Monitoring and Notification Program Implementation Grants	66.472	C17110	9,000	-	9,000	-	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via State of WA Dept of Health)	Public Health Emergency Preparedness	93.069	C17110	69,765	-	69,765	-	3d
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA St Dept of Social & Health Services)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1569-50547	21,463	-	21,463	-	
Office Of Population Affairs, Department Of Health And Human Services (via State of WA Dept of Health)	Family Planning_Services	93.217	C17110	41,242	-	41,242	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via State of WA Dept of Health)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	C17110	287,597	-	287,597	-	3e
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA St Dept of Social & Health Services)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1563-42477	37,642	-	37,642	-	
<b>Total CFDA 93.243:</b>				<b>325,239</b>	<b>-</b>	<b>325,239</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.



**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Expenditures				Passed through to Subrecipients	Note
			Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Centers For Disease Control And Prevention, Department Of Health And Human Services (via State of WA Dept of Health)	Immunization Cooperative Agreements	93.268	C17110	300	-	300	-	3f
Centers For Disease Control And Prevention, Department Of Health And Human Services (via State of WA Dept of Health)	Immunization Cooperative Agreements	93.268	C17110	1,379	-	1,379	-	3g
Centers For Disease Control And Prevention, Department Of Health And Human Services (via State of WA Dept of Health)	Immunization Cooperative Agreements	93.268	C17110	2,212	-	2,212	-	3h
Centers For Disease Control And Prevention, Department Of Health And Human Services (via State of WA Dept of Health)	Immunization Cooperative Agreements	93.268	C17110	819	-	819	-	3i
<b>Total CFDA 93.268:</b>				<b>4,710</b>	-	<b>4,710</b>	-	
Health Resources And Services Administration, Department Of Health And Human Services (via THRIVE by Five Washington)	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	414/470	481,114	-	481,114	-	3k
Administration For Children And Families, Department Of Health And Human Services (via WA State Dept Social & Health Services)	Child Support Enforcement	93.563	NA	26,787	-	26,787	-	
Administration For Children And Families, Department Of Health And Human Services (via WA State Social & Health Services)	Child Support Enforcement	93.563	2110-81159	220,025	-	220,025	-	3a
<b>Total CFDA 93.563:</b>				<b>246,812</b>	-	<b>246,812</b>	-	

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
(via Elections Assistance Commission)	Voting Access for Individuals with Disabilities Grants to States	93.617	G-12/010	9,515	-	9,515	-	
<b>Medicaid Cluster</b>								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA St Health Care Authority)	Medical Assistance Program	93.778	K760	12,310	-	12,310	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA St Health Care Authority)	Medical Assistance Program	93.778	K1402	62,149	-	62,149	-	
<b>Total Medicaid Cluster:</b>				<b>74,459</b>	<b>-</b>	<b>74,459</b>	<b>-</b>	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA St Dept of Social & Health Services)	Block Grants for Community Mental Health Services	93.958	1369-76920	27,755	-	27,755	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA St Dept of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42477	28,563	-	28,563	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA St Dept of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-43732	30,623	-	30,623	-	
<b>Total CFDA 93.959:</b>				<b>59,186</b>	<b>-</b>	<b>59,186</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**Grays Harbor County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Health Resources And Services Administration, Department Of Health And Human Services (via State of WA Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17110	86,486	-	86,486	-	3j
United States Coast Guard (uscg), Department Of Homeland Security (via WA St Parks)	Boating Safety Financial Assistance	97.012	3316FAS16015 3	24,041	-	24,041	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA St Military Department)	Emergency Management Performance Grants	97.042	E16-114	38,736	-	38,736	-	
Total Federal Awards Expended:				7,642,930	722,295	8,365,225	108,646	

The accompanying notes are an integral part of this schedule.

**GRAYS HARBOR COUNTY, WASHINGTON**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as 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. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The County has elected to use the 10% de minimis indirect cost rate under the Uniform Guidance. The amount expended includes the following amounts claimed as indirect costs:

- (a) \$21,356
- (b) \$20,873
- (c) \$3,243
- (d) \$5,396
- (e) \$17,582
- (f) \$27
- (g) \$125
- (h) \$201
- (i) \$74
- (j) \$6,400
- (k) \$42,704

Note 4 – Federal Loans

- (a) The County was approved to receive funding from the Clean Water State Revolving Fund the form of a SRF Forgivable Principal Loan in the amount of \$847,305 for construction of the Illahee Oyehtut Sewer Collection System. The amount listed for this loan includes the proceeds used during the year.
- (b) The County was approved to receive a SRF Standard Loan in the amount of \$948,716 from the Clean Water State Revolving Fund for construction of the Illahee Oyehtut Sewer Collection System. The amount listed for this loan includes the proceeds used during the year. This loan is reported on the County's Schedule of Liabilities.
- (c) The County was approved by USDA Rural Development to receive a loan totaling \$1,400,000 for replacing the roof on the pavilion at the County Fairgrounds. The County issued General Obligation Bonds to secure this loan. The amount listed for this obligation includes the proceeds used during the year. This obligation is reported on the County's Schedule of Liabilities.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Grays Harbor County January 1, 2016 through December 31, 2016

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

<b>Finding ref number:</b> 2016-001	<b>Finding caption:</b> The County did not have adequate internal controls to ensure compliance with federal allowable costs and cost principles for its Women, Infants and Children (WIC) program.
<b>Name, address, and telephone of auditee contact person:</b> Melinda Raihl, Chief Deputy Auditor 100 W. Broadway Montesano, WA 98563 (360) 964-1559	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Beginning with the September 2017 pay period, the Public Health and Social Services Department has instructed employees to code actual time spent completing the work for each grant-funded project as direct time, and to code time spent on activities that benefit multiple cost objectives as indirect time.</i>	
<b>Anticipated date to complete the corrective action:</b> 9/1/2017	

<b>Finding ref number:</b> 2016-002	<b>Finding caption:</b> The County's internal controls were inadequate to ensure the Schedule of Expenditures of Federal Awards is accurate and complete.
<b>Name, address, and telephone of auditee contact person:</b> Melinda Raihl, Chief Deputy Auditor 100 W. Broadway Montesano, WA 98563 (360) 964-1559	

**Corrective action the auditee plans to take in response to the finding:**

*We have several staff members enrolled in grant management training offered by the State Auditor's Office in the next couple of months. We will continue to strengthen our internal controls in the review area by allowing adequate time for a thorough review of our financial reports.*

**Anticipated date to complete the corrective action: 9/1/2017**

## 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.

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