



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Clallam County

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

Published September 30, 2015

Report No. 1015310





Washington State Auditor's Office

September 30, 2015

Board of Commissioners
Clallam County
Port Angeles, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

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FEDERAL SUMMARY

Clallam County January 1, 2014 through December 31, 2014

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance
97.056	Port Security Grant Program

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

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

**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**

**Clallam County
January 1, 2014 through December 31, 2014**

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

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

September 28, 2015

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

**Clallam County
January 1, 2014 through December 31, 2014**

Board of Commissioners
Clallam County
Port Angeles, Washington

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

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

September 28, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Clallam County January 1, 2014 through December 31, 2014

Board of Commissioners
Clallam County
Port Angeles, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Clallam County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, Clallam 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 Clallam County, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

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



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

September 28, 2015

FINANCIAL SECTION

Clallam County **January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 General	101 Roads
Beginning Cash and Investments				
30810	Reserved	7,665,532	7,500,000	-
30880	Unreserved	42,521,951	3,593,273	15,428,149
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	28,990,598	15,410,560	7,389,089
320	Licenses and Permits	697,331	667,458	29,873
330	Intergovernmental Revenues	16,897,606	5,595,244	7,502,844
340	Charges for Goods and Services	13,040,706	6,860,729	132,527
350	Fines and Penalties	881,695	862,559	-
360	Miscellaneous Revenues	1,905,396	1,474,537	90,436
Total Operating Revenues:		<u>62,413,332</u>	<u>30,871,087</u>	<u>15,144,769</u>
Operating Expenditures				
510	General Government	14,650,166	12,464,798	57,997
520	Public Safety	16,103,631	13,078,542	500,020
530	Utilities	416,866	71	-
540	Transportation	9,233,424	-	7,113,690
550	Natural and Economic Environment	2,726,487	2,000,253	90,146
560	Social Services	6,090,780	1,226,510	-
570	Culture and Recreation	2,266,936	2,266,936	-
Total Operating Expenditures:		<u>51,488,290</u>	<u>31,037,110</u>	<u>7,761,853</u>
Net Operating Increase (Decrease):		<u>10,925,042</u>	<u>(166,023)</u>	<u>7,382,916</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	2,485,038	1,074,499	1,089,964
391-393	Debt Proceeds	-	-	-
397	Transfers-In	2,549,682	1,265,000	582,971
Total Nonoperating Revenues:		<u>5,034,720</u>	<u>2,339,499</u>	<u>1,672,935</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	675	-	675
591-593	Debt Service	52,917	-	-
594-595	Capital Expenditures	9,550,326	293,088	6,136,699
597	Transfers-Out	2,349,682	524,991	2,027
Total Nonoperating Expenditures:		<u>11,953,600</u>	<u>818,079</u>	<u>6,139,401</u>
Net Increase (Decrease) in Cash and Investments:		<u>4,006,162</u>	<u>1,355,397</u>	<u>2,916,450</u>
Ending Cash and Investments				
50810	Reserved	7,690,612	7,500,000	-
50880	Unreserved	46,503,034	4,948,670	18,344,599

The accompanying notes are an integral part of this statement.

110 Sheriff 911 Enhanced	113 Developmental Disabilities	114 Law Library	117 Local Crime Victim	119 Racketeering	121 Shoreline Block Grant
-	165,532	-	-	-	-
489,775	2,645,140	18,617	181,410	1,670	21,408
-	-	-	-	-	-
818,141	1,202,525	-	-	-	-
-	-	-	-	-	-
1,200,255	2,097,297	-	51,969	-	-
209,197	608,035	24,963	39,514	-	-
19,053	-	-	2	81	-
125,604	12,518	1	-	1	-
2,372,250	3,920,375	24,964	91,485	82	-
-	-	24,910	114,607	1	-
1,587,154	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	21,407
-	4,718,427	-	-	-	-
-	-	-	-	-	-
1,587,154	4,718,427	24,910	114,607	1	21,407
785,096	(798,052)	54	(23,122)	81	(21,407)
-	18,342	-	1	-	-
-	-	-	-	-	-
-	423,773	-	-	-	-
-	442,115	-	1	-	-
-	-	-	-	-	-
-	-	-	-	-	-
777,084	-	-	-	-	-
-	-	-	-	-	-
777,084	-	-	-	-	-
8,012	(355,937)	54	(23,121)	81	(21,407)
-	190,612	-	-	-	-
497,787	2,264,123	18,671	158,289	1,752	1

The accompanying notes are an integral part of this statement.

122 Treasurer - REET Electronic Technology	124 Document Preservation	129 Dispute Resolution Center	130 Noxious Weed Control	135 DC I Probation	199 Veterans' Relief
-	-	-	-	-	-
315,154	393,216	1,220	282,286	97,529	3,764,273
-	-	-	-	-	-
8,473	-	-	-	-	2,884,866
-	-	-	-	-	-
9,810	55,121	-	34,083	-	303,690
79,634	32,033	18,922	16,865	209,466	13,824
-	-	-	-	-	-
175	-	-	111,226	90	4,112
<u>98,092</u>	<u>87,154</u>	<u>18,922</u>	<u>162,174</u>	<u>209,556</u>	<u>3,206,492</u>
82,541	60,355	17,622	-	244,011	-
-	-	-	-	-	937,915
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	199,597	-	395,470
-	-	-	-	-	145,843
-	-	-	-	-	-
<u>82,541</u>	<u>60,355</u>	<u>17,622</u>	<u>199,597</u>	<u>244,011</u>	<u>1,479,228</u>
15,551	26,799	1,300	(37,423)	(34,455)	1,727,264
880	-	-	-	-	14,684
-	-	-	-	-	-
-	-	-	-	-	7,464
<u>880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,148</u>
-	-	-	-	-	-
-	-	-	-	-	48,193
-	-	-	-	-	-
-	-	-	-	-	1,145,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,193</u>
16,431	26,799	1,300	(37,423)	(34,455)	556,219
-	-	-	-	-	-
331,585	420,015	2,520	244,863	63,074	4,320,492

The accompanying notes are an integral part of this statement.

254 PW - RID #142 Business Park Loop	256 PW - RID #141 School House Road	259 PW - Lake Dawn Management	261 PW - RID #138 March Banks Road	274 PW - RID #149 Osborn Road	295 Treasurer - LID 3rd Street Sewer Line
-	-	-	-	-	-
1,575	1,477	134	87	1,585	7,959
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
463	1,400	-	82	2,362	34,313
463	1,400	-	82	2,362	34,313
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
463	1,400	-	82	2,362	34,313
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,575	1,477	-	87	1,585	-
-	-	-	-	-	-
-	-	-	-	-	7,464
1,575	1,477	-	87	1,585	7,464
(1,112)	(77)	-	(5)	777	26,849
-	-	-	-	-	-
463	1,400	134	82	2,362	34,808

The accompanying notes are an integral part of this statement.

301 Parks and Facilities - REET	302 Parks and Facilities - REET 2	305 Parks and Facilities - Capital Projects	307 Information Tech - Capital Projects	308 PW - Carlsborg Sewer Project	402 PW - Solid Waste
-	-	-	-	-	-
737,984	1,956,169	2,743,837	413,584	4,125,305	26,757
-	-	-	-	-	-
638,472	638,472	-	-	-	-
-	-	-	-	-	-
-	29,330	-	-	-	17,963
-	-	-	-	-	33,743
-	-	-	-	-	-
186	185	2,300	-	-	11
638,658	667,987	2,300	-	-	51,717
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	66,836
-	-	-	-	-	-
-	-	-	-	19,614	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	19,614	66,836
638,658	667,987	2,300	-	(19,614)	(15,119)
-	-	-	-	-	87,140
-	-	-	-	-	-
-	-	-	100,000	-	-
-	-	-	100,000	-	87,140
-	-	-	-	-	-
-	-	-	-	-	-
212,821	70,452	353,355	222,235	616,869	87,319
-	550,000	100,000	-	-	-
212,821	620,452	453,355	222,235	616,869	87,319
425,837	47,535	(451,055)	(122,235)	(636,483)	(15,298)
-	-	-	-	-	-
1,163,821	2,003,704	2,292,782	291,349	3,488,822	11,459

The accompanying notes are an integral part of this statement.

414 PW - Clallam Bay-Sekiu Sewer	503 PW - Equipment Rental and Revolving	504 HR - Risk Management	505 HR - Workers Compensation Claims	506 HR - Employee Health Care Benefit	507 HR - Unemployment Compensation
-	-	-	-	-	-
353,593	2,619,796	1,129,071	972,304	29,442	168,172
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
269,539	2,581,910	1,106,843	699,458	-	103,504
-	-	-	-	-	-
3,831	3,342	275	37,946	-	-
<u>273,370</u>	<u>2,585,252</u>	<u>1,107,118</u>	<u>737,404</u>	<u>-</u>	<u>103,504</u>
-	-	1,113,039	421,849	20,116	28,320
-	-	-	-	-	-
349,959	-	-	-	-	-
-	2,119,734	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>349,959</u>	<u>2,119,734</u>	<u>1,113,039</u>	<u>421,849</u>	<u>20,116</u>	<u>28,320</u>
(76,589)	465,518	(5,921)	315,555	(20,116)	75,184
1,000	198,528	-	-	-	-
-	-	-	-	-	-
50,000	-	100,000	-	20,474	-
<u>51,000</u>	<u>198,528</u>	<u>100,000</u>	<u>-</u>	<u>20,474</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	780,404	-	-	-	-
-	200	20,000	-	-	-
<u>-</u>	<u>780,604</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(25,589)	(116,558)	74,079	315,555	358	75,184
-	-	-	-	-	-
328,004	2,503,238	1,203,150	1,287,859	29,800	243,356

The accompanying notes are an integral part of this statement.

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

	<u>Total for All Funds (Memo Only)</u>	<u>624 Unclaimed Warrants</u>	<u>625 Risk Management Reserve</u>	<u>629 R.I.D. Guaranty Trust</u>
308 Beginning Cash and Investments	5,284,451	61,790	2,891,921	29,353
388 & 588 Prior Period Adjustments, Net	-	-	-	-
310-360 Revenues	17,004,018	1,961	-	28
380-390 Other Increases and Financing Sources	9,205,616	-	-	-
510-570 Expenditures	47,990	-	-	-
580-590 Other Decreases and Financing Uses	26,796,831	6,086	200,000	-
Net Increase (Decrease) in Cash and Investments:	(635,187)	(4,125)	(200,000)	28
508 Ending Cash and Investments	4,649,264	57,665	2,691,921	29,381

	<u>633 Drug Task Force Suspense</u>	<u>690 Private Timber Harvest Tax</u>	<u>691 State General Schools</u>	<u>697 Retainage Suspense</u>
308 Beginning Cash and Investments	128,273	1,703,257	330,888	138,969
388 & 588 Prior Period Adjustments, Net	-	-	-	-
310-360 Revenues	6	62,379	16,939,086	558
380-390 Other Increases and Financing Sources	34,190	5,793,078	3,302,974	75,374
510-570 Expenditures	47,990	-	-	-
580-590 Other Decreases and Financing Uses	-	6,278,190	20,244,339	68,216
Net Increase (Decrease) in Cash and Investments:	(13,794)	(422,733)	(2,279)	7,716
508 Ending Cash and Investments	114,479	1,280,524	328,609	146,685

The accompanying notes are an integral part of this statement.

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clallam County was incorporated on April 26, 1854 and operates under State of Washington laws applicable to a Home Rule Charter County. The County is a general purpose government and provides Sheriff, Jail, Fire Marshall, Sewage Collection/Treatment, Road Maintenance, Planning and Zoning, Parks, Fair, Judicial Administration, Health and Social Services, Juvenile, and General Administrative Services.

Clallam 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. Basis of Presentation - Fund Accounting

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

Governmental Fund Types

General Fund

This is the County's general operating fund; accounting for all financial resources and transactions except those required 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 specific purposes of the County.

Debt Service Funds

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

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 Project Funds

These funds account for financial resources that are restricted, committed, or assigned for the acquisition or construction of capital facilities of 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 and funds of the County on a cost reimbursement basis.

Fiduciary Fund Types

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

Private-Purpose Trust Funds

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

Agency Funds

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

B. Basis of Accounting

Basis of Accounting determines when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when cash is paid.

Purchases of capital assets are expensed at the time of acquisition. There is no capitalization of capital assets or allocation of depreciation expense. Inventory is expensed when purchased.

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

C. Budgets and Budgetary Accounting

1. Annual appropriated budgets are adopted for approximately 60 governmental funds on cash basis of accounting with no significant differences between the budgetary basis and the accounting basis. Budgets are adopted at the fund level, or the department level in the general fund, which constitute the legal authority for expenditures at that level. Appropriations lapse at year end.

2. Amending the Budget

The County Administrator is authorized to transfer budget amounts between departments within any fund/department. However, any revisions that alter the total expenditures of the County, amount of capital purchases, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the County Commissioners. Revisions within funds are allowed, but supplemental or additional appropriations must be approved by the legislative authority following public hearings. The County's budget was amended 171 times during 2014.

3. The appropriated and actual expenditures for the legally adopted budgets were:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
GENERAL FUND			
ASSESSOR	1,418,366	1,345,425	72,941
AUDITOR	1,181,464	1,081,018	100,446
TREASURER	760,027	668,777	91,250
BOCC OPERATIONS	651,746	635,190	16,556
BOUNDARY REVIEW BOARD	3,630	100	3,530
PORT CRESCENT CEMETERY	3,000	71	2,929
BOARD OF EQUALIZATION	61,791	49,279	12,512
NON-DEPARTMENTAL	1,223,830	1,220,984	2,846
OPERATING TRANSFERS OUT	551,347	524,991	26,356
DCD ADMINISTRATION	278,969	260,269	18,700
DCD ENVIRONMENTAL QUALITY	178,481	133,972	44,509
DCD PERMIT CENTER	804,272	760,320	43,952
DCD LONG RANGE PLANNING	814,083	497,746	316,337
HEARING EXAMINER	89,660	87,765	1,895
INFORMATION TECHNOLOGY	1,469,647	1,392,387	77,260
HUMAN RESOURCES	881,786	682,772	199,014
ENVIRONMENTAL HEALTH	1,319,509	1,052,029	267,480
SHERIFF OPERATIONS	5,491,012	5,423,766	67,246
SHERIFF COMMUNITY PROJECTS	161,611	132,304	29,307
ANIMAL CONTROL	190,723	188,361	2,362
SEARCH & RESCUE	18,150	5,783	12,367
JAIL	3,897,797	3,789,654	108,143
JAIL MEDICAL	523,301	452,268	71,033
EMERGENCY SERVICES	298,960	271,906	27,054

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

INDIGENT DEFENSE	913,273	911,106	2,167
PROSECUTING ATTORNEY	1,620,482	1,610,153	10,329
CHILD SUPPORT	239,375	199,545	39,830
CORONER	151,800	89,263	62,537
JUVENILE SERVICES	3,246,771	3,126,710	120,061
SUPERIOR COURT	1,332,984	1,248,046	84,938
DISTRICT COURT I	661,724	628,423	33,301
DISTRICT COURT II	325,917	315,427	10,490
CLERK	834,835	795,772	39,063
PARKS AND FACILITIES	1,888,299	1,846,072	42,227
FAIR	406,365	372,864	33,501
WSU EXTENSION	51,325	48,001	3,324
FLOOD CONTROL	11,805	6,667	5,138
TOTAL GENERAL FUND	33,958,117	31,855,186	2,102,931
ROADS	17,090,046	13,901,252	3,188,794
SHERIFF'S HONOR GUARD DONATION	3,910	-	3,910
RECREATIONAL AND BOATING FUND	100,574	96,175	4,399
SHERIFF OFFICE DRUG FUND	12,772	3,111	9,661
SHERIFF OPNET DRUG FUND	258,010	205,717	52,293
NINE-ONE-ONE ENHANCED	1,170,981	834,234	336,747
OPSCAN OPERATIONS	311,158	232,346	78,812
SHERIFF STONEGARDEN GRANT	958,561	579,705	378,856
SHERIFF PORT SECURITY GRANT	521,557	412,624	108,933
24/7 SOBRIETY PROGRAM	18,750	325	18,425
HEALTH & HUMAN SERVICES	1,718,455	1,579,761	138,694
ALCOHOL/DRUG ABUSE	1,166,766	707,383	459,383
HOMELESS TASK FORCE	395,206	394,451	755
CHEMICAL DEPENDENCY	1,226,576	1,207,545	19,031
AFFORDABLE HOUSING	91,500	36,117	55,383
DEVELOPMENTAL DISABILITIES	1,167,781	793,168	374,613
LAW LIBRARY	26,730	24,910	1,820
CRIME VICTIM COMP/LOCAL	120,041	114,607	5,434
RACKETEERING FUND	5	1	4
SHORELINE BLOCK GRANT	21,407	21,407	-
TREASURER'S O & M	78,149	71,590	6,559
TREASURER'S REET TECHNOLOGY	47,250	641	46,609
LAND ASSESSMENT	10,400	10,310	90
DOCUMENT PRESERVATION	96,475	60,355	36,120
DISPUTE RESOLUTION CENTER	10,585	10,210	375
COURTHOUSE FACILITATOR	11,435	7,412	4,023
NOXIOUS WEED CONTROL	228,274	177,500	50,774
LMD#2 LAKE SUTHERLAND	22,832	22,097	735
PROBATION DISTRICT COURT I	254,158	244,010	10,148
PROBATION DISTRICT COURT II	25,971	-	25,971
CRIMINAL JUSTICE	500,000	500,000	-
LOCAL CRIMINAL JUSTICE	600,000	600,000	-
TRIAL COURT IMPROVEMENTS	30,000	30,000	-
VETERANS' RELIEF	155,901	145,843	10,058
FEDERAL FOREST REPLACEMENT	101	1	100
HOTEL/MOTEL TAX	386,147	385,469	678
OPPORTUNITY FUND	5,974,196	155,542	5,818,654
EMERGENCY COMMUNICATIONS TAX	997,500	855,566	141,934
R I D #142 BUSINESS PARK LOOP	1,603	1,575	28
R I D #141 SCHOOL HOUSE ROAD	2,877	1,477	1,400

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

LAKE DAWN MANAGEMENT	119	-	119
R I D #138 MARCH BANKS ROAD	86	86	-
R I D #149 OSBORN ROAD	2,216	1,585	631
THIRD STREET SEWER LINE	7,464	7,464	-
REAL ESTATE EXCISE TAX PROJECT	632,500	212,821	419,679
REAL ESTATE EXCISE TAX 2	1,000,000	620,452	379,548
CAPITAL PROJECTS	535,000	353,354	181,646
CAPITAL PROJECTS INFO TECH	327,013	222,235	104,778
CAPITAL PROJECTS CARLSBORG			
SEWER	5,852,510	636,483	5,216,027
SOLID WASTE	227,761	154,156	73,605
CLALLAM BAY-SEKIU SEWER	427,433	349,958	77,475
EQUIPMENT RENTAL & REVOLVING	3,629,416	2,900,338	729,078
RISK MANAGEMENT	1,609,800	1,133,038	476,762
WORKERS' COMPENSATION CLAIMS	751,040	142,508	608,532
EMPLOYEE HEALTH CARE BENEFIT	36,925	20,116	16,809
UNEMPLOYMENT COMPENSATION	100,000	28,320	71,680

D. Investments - See Note 2.

E. Capital Assets

Assets with anticipated useful lives in excess of one year and with a purchase price of \$5,000 or more are deemed capital assets. Under cash basis of accounting they are recorded as expenditures when purchased.

F. Compensated Absences

Employees may accumulate vacation leave up to 480 hours (or the hours of vacation to be accrued in 24 months at current accrual rate in the case of Teamsters Union members) of which up to 400 hours is payable upon separation. Sick leave may accumulate without limit and is payable generally at 20% on retirement or 10% at other separation. Payouts are calculated at wage rates at the date of termination. Payments are recognized as expenditures when paid.

G. Long-Term Debt - See Note 5.

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

H. Other Financing Sources and Uses

The County's Other Financing Sources consist of transfers-in and sales of County owned timber. Other Financing Uses consist of transfers out.

I. Risk Management - See Note 7.

J. Fund Balance Classification

At December 31, 2014, the Clallam County Board of Commissioners had reserved part of the general fund's ending fund balance as follows:

Operating Liquidity	\$2,500,000
Civil and Law & Justice	1,750,000
Public Health Emergency	750,000
Insurance Deductible	1,000,000
Unanticipated Capital Needs	1,000,000
Unemployment/Separation	500,000
 Total	 \$7,500,000

The 2015 general fund budget as originally approved in December 2014 included a deficit of \$707,528. During 2015 the Commissioners of Clallam County determined that the general fund balance as of 12/31/2014 contained approximately \$3,000,000 in excess of the County's reserve requirements and that this excess, or a substantial part of it, should be returned to the local economy as revenue reductions and additional spending. As of April 30, 2015 the Commissioners have approved actions that are intended to reduce the fund balance by approximately \$1,000,000 in 2015 and have discussed other potential measures to additionally reduce the fund balance but have taken no formal actions to enact them.

In addition the Alcohol and Drug Abuse fund and the Developmental Disabilities fund had restrictions in their fund balances of \$95,423 and \$98,842 respectively for advances from the Washington State Department of Health and Human Services.

NOTE 2 – DEPOSITS AND INVESTMENTS

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the County or its agent in the County's name. All deposits are stated at cost, with no material difference between cost and market value.

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

As of December 31, 2014 the County had the following investments:

	Fair value of County investments	Fair value of investments held by County as agent	Total
Demand Deposits	\$ 6,760,664	\$ 1,146,661	\$ 7,907,325
Time Deposits	28,717,754	8,568,819	37,286,573
US Government Securities	-	-	-
State Investment Pool	<u>23,195,428</u>	<u>37,868,232</u>	<u>61,063,660</u>
 Total	 <u>\$ 58,673,846</u>	 <u>\$ 47,583,712</u>	 <u>\$ 106,257,558</u>

NOTE 3 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections during the month are distributed to each applicable fund at the end of the month except for the cities and state which are distributed on the 10th and 20th respectively.

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

The County's regular tax levy rate for 2014 was \$1.4041328679 per \$1,000 on a total assessed valuation of \$7,002,941,388 for a regular levy total of \$9,833,060. The total 2014 levy rate of \$1.4415828679 was comprised of four funds: General at \$1.4041328679; Veterans' Relief at \$.01125; Land Assessment at \$.00120; and Health and Human Services at \$.02500.

NOTE 4 – INTERTERFUND TRANSACTIONS AND BALANCES

Interfund transactions are classified as follows:

- A. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the County.
- B. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financial Sources or Uses."

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

- C. At December 31, 2013 there was a loan payable balance outstanding payable by the Road Improvement funds as a group to the Roads fund in the total of \$16,955. There were no new loans on this balance in 2014, and after payments of \$2,965 the balance at December 31, 2014 was \$13,990.

NOTE 5 – LONG-TERM DEBT

A. Long-Term Debt

In 2004 the Clallam County borrowed \$750,000 from the Washington State Community Economic Revitalization Board as a general obligation debt and re-loaned that amount to the Clallam Business Incubator, Inc. to aid in the construction of the Incubator facilities. The County is obligated to repay the loan in installments beginning in 2008 and continuing through 2025. Interest on the loan is stated at 1%. At December 31, 2014 the principal outstanding on this loan payable was \$499,653 due in annual payments of \$48,193.54 through 2025. Total payments of interest and principal will be \$240,968 for each of the five year periods ending in 2019 and 2025 and \$48,194 in 2025.

In 2012 the Clallam Business Incubator closed, its assets and liabilities were assumed by the Port Angeles School district, and Clallam County forgave the balance of the loan that had been made to the Incubator and assumed by the school.

In 2013 Clallam County PUD signed a loan agreement with the Washington State Public Works Board for a maximum of \$10,000,000 to partially fund the construction of a wastewater facility in the Carlsborg UGA in Clallam County. Subsequently in 2013, Clallam County assumed this loan from the Clallam County PUD as a general obligation debt. The payments of principal and interest on the loan will be due annually through June 1, 2048. Advances under this loan will be paid to the County as the County submits progress invoices to the state for reimbursement of eligible costs incurred. Interest on the loan will accrue with the date of each advance at .5% per annum which can be reduced if certain schedule incentives are met. Actual principal and interest payments due will depend on the timing and the amounts of advances made against the loan. In 2013 the County received an advance against the loan of \$33,045. No additional advances were made in 2014.

The Clallam County Board of Commissioners has resolved to repay both of these this loans out of the County's Opportunity Fund which receives most of its revenue under RCW 82.14.370. If this revenue stream is not sufficient to meet the payment requirements of these loans, the County will be obligated to allocate other resources to make the payments. In the opinion of Clallam County management, such other resourced will be available to meet these obligations without materially affecting the County's other obligations and operations.

- B. Compensated Absences - The County's liability to employees for compensated absences consists of amounts due for accrued vacation and compensatory time, and depending on

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

the circumstances of an employee's separation, some portion of sick time accrued. The County uses an amount of 15% of accrued sick time to approximate the value of sick time accrued for purposes of liability disclosure. Liability is determined at the current pay rates for employees at the end of each year. Under this calculation, the liability for compensated absences at December 31, 2014 was \$2,566,342 which was a decrease of \$42,038 from the end of 2013.

NOTE 6 - PENSION PLANS

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

Public Employee's Retirement System (PERS) Plans I, II, & III
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans I & II
Public Safety Employees' Retirement Systems (PSERS) Plan II

The Washington State Department of Retirement Systems 2014 annual financial report presents historical trend and other information regarding each plan. A copy may be obtained at the following address:

Department of Retirement Systems
Administrative Services Division
Post Office Box 48380
Olympia, WA 98504-8380

NOTE 7 - RISK MANAGEMENT

A. Liability Risk Pool

Clallam County is a member of the Washington Counties Risk Pool ("Pool"). Chapter 48.62 RCW authorizes the governing body of two or more governmental entities to form together into or join a pool or organization 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 on August 18, 1988 when several 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 related administrative services. Thirty counties have belonged to the Pool at some point since its inception, and twenty seven

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

counties were members at December 31, 2013. The Pool is overseen by the State Risk Manager and is subject to annual audit by the State Auditor.

The Pool currently carries \$20 million (with another \$5 million optional) of joint liability coverage on a “per occurrence” basis for third-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, and includes public officials’ errors and omissions. Annually, members select a per occurrence deductible amount of \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. Clallam County has selected a \$100,000 deductible and purchases the additional \$5 million coverage. The initial \$10 million of coverage, less the retention (the greater of the member’s deductible or \$100,000), is fully reinsured. The remaining insurance, up to \$15 million, is acquired as “following form” excess insurance. There are no aggregate limits to the payments made for any one member county or all member counties combined.

Property insurance, with composite limits of \$500 million for normal (“All Other Perils”) coverage and \$250 million for catastrophe coverage and participant deductibles between \$5,000 and \$50,000, is also available through the Pool as an individual county option. Covered property includes structures, vehicles, mobile equipment, and EDP equipment. Participants are responsible for their claims’ deductibles. The insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. Clallam County participates in this property insurance with a \$5,000 deductible.

Pool member counties are required to timely submit their third-party liability claims to the Pool which are then managed by the Pool’s staff. This management includes establishing reserves for both reported and unreported covered events, as well as estimates of the undiscounted future cash payments for losses and related claims adjustment expenses. Because the Washington State Counties Risk Pool is a cooperative program, there is joint liability among the participating members at such times as the Pool’s assets are insufficient to cover the Pool’s liabilities. Deficits resulting from any Pool fiscal year are financed by proportional reassessments against that year’s member counties. As of December 31, 2014, the Pool has no reassessments receivable balance.

Each new member pays the Pool an admittance fee. This amount covers the member’s share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the Pool for a minimum of five years, and may terminate their memberships at the conclusion of any Pool fiscal year if the county timely files the required twelve months’ notice. The Interlocal Governmental Agreement is renewed automatically each year after the initial 5-year period. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period it was a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members and handled by the Pool’s claims staff. Reserves are established for both reported and

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

unreported insured events and include estimates of the undiscounted future cash payments of losses and related claim adjustment expenses.

The Pool is administered by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected from the member-designated directors and alternate directors at the annual meeting. Also at the annual meeting, the Pool's officers (president and secretary-treasurer) are elected from the executive committee persons. The officers and the executive committee are responsible for conducting the business affairs of the Pool.

See Note 8 - Claims and Judgments for discussion of claims liabilities against the County as of December 31, 2014.

B. Unemployment and Workers' Compensation

The County has elected to fully self insure its risk for unemployment claims and pays actual costs quarterly as determined and administered by the Washington State Employment Security Department.

The County has elected to partially self insure its risk for workers' compensation claims. The County is responsible for workers' compensation claims up to \$350,000 per occurrence. Losses in excess of \$350,000 are insured by private insurance companies to the specific statutory excess limit, except that losses for law enforcement and marine cases which have \$500,000 self coverage per the Jones Act.

Based on the claims managers' estimates, the County's likely liability for workers' compensation losses at December 31, 2014 was \$1,210,000.

The County is required by the State to set aside \$250,000 in cash reserves for protection to the Workers' Compensation Fund. Clallam County reserves exceed that requirement.

C. Risk Funding

Claim settlements and loss expenses are accrued in the Workers' Compensation Claims, Unemployment Compensation, and Risk Management funds for the estimated settlement value of both reported and unreported claims up to the statutory excess limits, as applicable. These funds are responsible for collecting interfund premiums from insured funds and departments, for paying claims settlements and for purchasing certain insurance policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses.

NOTE 8 - CLAIMS AND JUDGMENTS

Clallam County is named as the defendant in several legal actions. Claims and/or costs and fees, which are reasonably possible at December 31, 2014, are estimated by the Washington Counties

Clallam County
Notes to Financial Statements
For the Year Ended December 31, 2014

Risk Pool to be \$890,000. Reserves within the Risk Management Funds exceed this requirement. See Note 7 - Risk Management for a description of the Public Entity Risk Pool. In the opinion of County management, the county's insurance policies and self-insurance reserves are adequate to pay known and pending claims.

NOTE 9 – LEOFF MEDICAL COSTS

Under the terms of LEOFF I, the County pays all the medical costs of its nine retired LEOFF I employees. These medical costs paid in 2014 totaled \$36,821. In addition, the County paid \$50,384 in medical insurance premiums for six of these retired employees in 2014. Only LEOFF I employees are eligible for this benefit.

Clallam County
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
263.81	Washington State CERB Loan	7/1/2025	542,422	-	42,769	499,653
263.81	Washington State PWB Loan	6/1/2048	33,045	-	-	33,045
259.11	Compensated Absences		2,608,380	-	42,038	2,566,342
	Total General Obligations:		3,183,847	-	84,807	3,099,040
	Total Liabilities:		3,183,847	-	84,807	3,099,040

Clallam County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Note
				From Pass- Through Awards	From Direct Awards			
Child Nutrition Cluster								
Food And Nutrition Service, Department Of Agriculture (via WA STATE)	National School Lunch Program	10.555	333.10.55.0000	24,740	-	24,740	24,740	
Total Child Nutrition Cluster:				24,740	-	24,740	24,740	
Forest Service Schools and Roads Cluster								
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	NA	-	428,103	428,103	428,103	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	12-PA- 110609000	-	59,696	59,696	59,696	
Total CFDA 10.665:				-	487,799	487,799	487,799	
Forest Service, Department Of Agriculture	Schools and Roads - Grants to Counties	10.666	10-PA- 11060900-024	-	815	815	815	
Total Forest Service Schools and Roads Cluster:				-	488,614	488,614	488,614	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via HWY ADMIN)	Highway Planning and Construction	20.205	TA-2629/LA 7630	43,965	-	43,965	43,965	
Federal Highway Administration (fhwa), Department Of Transportation (via BRIDGE REHAB)	Highway Planning and Construction	20.205	LA-7394	3,155	-	3,155	3,155	
Federal Highway Administration (fhwa), Department Of Transportation (via BRIDGE REHAB)	Highway Planning and Construction	20.205	LA-7665	5,213	-	5,213	5,213	
Federal Highway Administration (fhwa), Department Of Transportation (via PUBLIC HWY)	Highway Planning and Construction	20.205	LA-8259	358,967	-	358,967	358,967	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via SURFACE TRANSPORT)	Highway Planning and Construction	20.205	LA-6760	2,934,653	-	2,934,653	
Federal Highway Administration (fhwa), Department Of Transportation (via SURFACE TRANSPORT)	Highway Planning and Construction	20.205	LA-846/TA5515	512,950	-	512,950	
Federal Highway Administration (fhwa), Department Of Transportation (via SURFACE TRANSPORT)	Highway Planning and Construction	20.205	LA-7743	35,094	-	35,094	
Total Highway Planning and Construction Cluster:				3,893,997	-	3,893,997	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WASPC)	State and Community Highway Safety	20.600	FY-2013-14	5,140	-	5,140	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	State and Community Highway Safety	20.600	14ST-04	42,895	-	42,895	
Total CFDA 20.600:				48,035	-	48,035	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	NA	2,975	-	2,975	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	Occupant Protection Incentive Grants	20.602	NA	305	-	305	
Total Highway Safety Cluster:				51,316	-	51,316	
JAG Program Cluster							
Bureau Of Justice Assistance, Department Of Justice (via WA COMMERCE)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-005	147,539	-	147,539	
Total JAG Program Cluster:				147,539	-	147,539	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Note
				From Pass- Through Awards	From Direct Awards	
Medicaid Cluster						
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via STATE OF WA)	Medical Assistance Program	93.778	02-68-MAA	10,093	-	10,093
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via STATE OF WA)	Medical Assistance Program	93.778	02-68-MAA	18,697	-	18,697
	Total Medicaid Cluster:			28,791	-	28,791
Other Programs						
Food And Nutrition Service, Department Of Agriculture (via FOOD NUTRITION)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16879	249,523	-	249,523
Food And Nutrition Service, Department Of Agriculture (via FOOD NUTRITION)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16879	393	-	393
	Total CFDA 10.557:			249,916	-	249,916
Department of Agriculture	National Forest_Dependent Rural Communities	10.670	RCW - TITLE III	-	10,073	10,073
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via WA REC/CONSERVATION)	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	13-1373P	127,494	-	127,494
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA STATE)	Juvenile Accountability Block Grants	16.523	NA	7,000	-	7,000
Violence Against Women Office, Department Of Justice (via US DEPT OF COMM)	Violence Against Women Formula Grants	16.588	F12-31103-071	13,197	-	13,197
Violence Against Women Office, Department Of Justice (via WA CTED)	Violence Against Women Formula Grants	16.588	F13-31103-070	10,205	-	10,205
	Total CFDA 16.588:			23,402	-	23,402

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Note
				From Pass- Through Awards	From Direct Awards	
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2014-AP-BX- 0147	-	482	482
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	NA	-	6,809	6,809
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2012UMWX017 2	-	59,672	59,672 5
Bureau Of Justice Assistance, Department Of Justice (via WA DEPT COMM)	PREA Program: Demonstration Projects to Establish 'Zero Tolerance' Cultures for Sexual Assault in Correctional Facilities	16.735	F12-34025-001	119,036	-	119,036
Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-00J08801-0	-	21,177	21,177
Region 10, Environmental Protection Agency (via WA DEPT OF HEALTH)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16879	9,000	-	9,000
Region 10, Environmental Protection Agency (via DEPT OF HEALTH)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16879	99,307	-	99,307
Region 10, Environmental Protection Agency (via DEPT OF HEALTH)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16879	63,632	-	63,632
Region 10, Environmental Protection Agency (via JEFFERSON COUNTY)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	110511-11- JCEPA	41,067	-	41,067 4
Total CFDA 66.123:				213,006	-	213,006

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Water, Environmental Protection Agency	Targeted Watersheds Grants	66.439	WS-96074701-0	-	16,329	16,329	
Office Of Water, Environmental Protection Agency (via WA DEPT OF ECOLOGY)	National Estuary Program	66.456	G1400085	51,818	-	51,818	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via STATE OF WA)	Public Health Emergency Preparedness	93.069	C16879	41,415	-	41,415	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA DSHS)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-89936	54,809	-	54,809	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA DBHR)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1263-66377	247,617	-	247,617	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via STATE OF WA)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1163-24766	15,596	-	15,596	4, 5
Total CFDA 93.243:				318,022	-	318,022	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via STATE OF WA)	Immunization Cooperative Agreements	93.268	C16879	13,679	-	13,679	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via STATE OF WA)	Immunization Cooperative Agreements	93.268	C16879	3,194	-	3,194	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via STATE OF WA)	Immunization Cooperative Agreements	93.268	C16879	6,566	-	6,566	
Centers For Disease Control And Prevention, Department Of Health And Human Services	Immunization Cooperative Agreements	93.268	Vaccine in Lieu of Cash	-	14,218	14,218	
Total CFDA 93.268:				23,439	14,218	37,657	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Note
				From Pass- Through Awards	From Direct Awards	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via SAMHSA)	Drug-Free Communities Support Program Grants	93.276	5H79 PO17064-04	138,609	-	138,609
Centers For Disease Control And Prevention, Department Of Health And Human Services (via STATE OF WA)	PPHF National Public Health Improvement Initiative	93.507	C16879	10,000	-	10,000
Administration For Children And Families, Department Of Health And Human Services (via WA HHS)	Child Support Enforcement	93.563	1363-918/1463-17224	143,196	-	143,196
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	Child Support Enforcement	93.563	0763-15052-01	29,434	-	29,434
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	Child Support Enforcement	93.563	NA	34,381	-	34,381
			Total CFDA 93.563:	207,011	-	207,011
Health Resources And Services Administration, Department Of Health And Human Services (via STATE OF WA)	HIV Care Formula Grants	93.917	C13879	66,473	-	66,473
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via STATE OF WA)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27294	111,246	-	111,246
Health Resources And Services Administration, Department Of Health And Human Services (via STATE OF WA)	Maternal and Child Health Services Block Grant to the States	93.994	C16879	64,198	-	64,198
Health Resources And Services Administration, Department of Health and Human Services (via State of WA)	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Boating Safety Financial Assistance	93.777	1163-35226	32,392	-	32,392
Department Of Homeland Security (via WA PARKS)		97.012	CE911-202	25,548	-	25,548

		Expenditures					
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Department Of Homeland Security (via WA MILITARY)	Hazard Mitigation Grant	97.039	E13-178	46,648	-	46,648	
Department Of Homeland Security (via WA MILITARY)	Emergency Management Performance Grants	97.042	E14-105	15,856	-	15,856	
Department Of Homeland Security (via MARINE EXCHANGE)	Port Security Grant Program	97.056	2009-PU- TRK044- 02/2010-PU-TO- KO33-IJ- 02/2010-PU-TO- KO33-IJ- 4/EINW-2011- PU-KOOO268- E12-178/E13- 143/E14- 157/E15-079	405,613	-	405,613	
Department Of Homeland Security (via WA MILITARY)	Homeland Security Grant Program	97.067	E12-178/E13- 143/E14- 157/E15-079	86,789	-	86,789	
Department Of Homeland Security (via WA MILITARY)	Homeland Security Grant Program	97.067	E12-282	108,908	-	108,908	
Department Of Homeland Security (via WA MILITARY)	Homeland Security Grant Program	97.067	E14-043	436,766	-	436,766	
Department Of Homeland Security (via WA MILITARY)	Homeland Security Grant Program	97.067	E15-012	34,825	-	34,825	
Total CFDA 97.067:				667,287	-	667,287	
Total Federal Awards Expended:				7,111,810	617,374	7,729,185	

CLALLAM COUNTY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Note 1 - Basis of Accounting

The Schedule of Financial Assistance is prepared on the same basis as the county's financial statement. The county uses a cash accounting basis.

Note 2 - Program Costs

The amounts shown as current year expenditures represent only federal/state/local grant portion of the program cost. Entire program cost, including the county's portion may be more than shown.

Note 3 - Noncash Awards

The amount of Vaccine reported on the schedule is the value of vaccine distributed by the county during current year and priced as prescribed by Federal and State Agencies.

Note 4 - Amounts Awarded to Subrecipients

Included in the total amount expended for this program is money that was passed through to a subrecipient that administered its own project.

Note 5 - American Recovery and Reinvestment Act (ARRA) of 2009

Expenditures for this program were funded by ARRA.

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.

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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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