



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report Yakima County

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

Published September 17, 2015

Report No. 1015094





Washington State Auditor's Office

September 17, 2015

Board of Commissioners
Yakima County
Yakima, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Yakima 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

Yakima County January 1, 2014 through December 31, 2014

The results of our audit of Yakima 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 of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs, with the exception of the CFDA 93.275 Substance Abuse and Mental Health Services - Access to Recovery program on which we issued a qualified opinion on compliance with applicable requirements.

We reported 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>
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED).
93.275	Substance Abuse and Mental Health Services - Access to Recovery
93.563	Child Support Enforcement
93.778	Medicaid Cluster - Medical Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$505,095.

The County qualified as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Yakima County January 1, 2014 through December 31, 2014

2014-001 The County did not have adequate internal controls to ensure compliance with federal allowable costs and eligibility requirements.

CFDA Number and Title:	93.275 Substance Abuse and Mental Health Services – Access to Recovery 93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance (SAMHSA)
Federal Grantor Name:	U.S. Department of Health and Human Services
Federal Award/Contract Number:	1H79T1024164
Pass-through Entity Name:	Department of Social and Health Services and Department of Health
Pass-through Award/Contract Number:	1063-12911
Questioned Cost Amount:	\$110,433 for Access to Recovery \$7,574 for SAMHSA

Background

In fiscal year 2014, the County spent \$281,545 and \$318,849, respectively, through the Substance Abuse and Mental Health Services, Access to Recovery grant and the Substance Abuse and Mental Health Services Projects of Regional and National Significance (SAMHSA) grant. These programs provide recovery and support services to eligible substance abuse and chemical dependency patients through a voucher payment program. Each participant is provided services based on an individualized treatment plan. The County's Assessment and Referral Department issues vouchers to eligible participants for these services based on the individualized plan and appropriate treatment referral. Vouchers are issued for rental assistance, gas, clothing and other items.

For the County's 2014 federal single audit, the Access to Recovery grant was audited as a major program. The SAMHSA grant was not a major program; however, we have identified misappropriation that we are required to report.

Description of Condition

The County did not have adequate internal controls to ensure only eligible participants received services and that payments were allowable. Specifically, we identified the following deficiencies in internal controls that represent a material weakness:

- For the Access to Recovery program, the recovery support specialist was allowed access to create a new participant in the statewide system and was also responsible for issuing vouchers to participants. For both grants, the specialist issued vouchers to participants without an independent review to ensure the participants were eligible and properly referred to the County.
- The County did not have an adequate review over voucher payments to verify that all transactions were allowable and for eligible participants.

Cause of Condition

The County did not segregate responsibilities over the voucher program through these two grants. The Recovery Support Specialist was allowed to perform multiple responsibilities without proper oversight.

Effect of Condition and Questioned Costs

As a result of the control deficiencies identified above, the Recovery Support Specialist misappropriated \$64,715 in vouchers through the Access to Recovery program and \$7,574 through SAMHSA program. The County notified our office of this potential loss of public funds, as required by state law, and we have reported this in Fraud Investigation Report No. 1015017. Specifically, we determined:

- Vouchers were issued to individuals who were not eligible for the program because they were not referred by valid treatment centers. These individuals received vouchers paying for services and goods such as personal utility charges, rent and tires for multiple vehicles.
- Treatment referrals were submitted lacking an authentic counselor signature or with no signature at all. Also, in several cases there were referrals without counselor signatures to husbands and wives for the same period of time, or issued on the same date.

- It is the County’s practice to limit the number of vouchers a person can receive each month. In many cases, individuals received from four to eight vouchers above that limit.
- Vouchers through the SAMHSA grant were issued to individuals who were incarcerated and therefore unable to use the vouchers. But other individuals used the vouchers, personally benefited through this program, and received goods and services that they were not entitled to.

This misappropriation occurred between March 2013 and January 2015. A breakdown of this loss, by year, is below:

	2013	2014	2015	Total
Access to Recovery	17,517	47,198	0	64,715
SAMHSA	0	3,220	4,354	7,574
Total	17,517	50,418	4,354	72,289

In addition, we audited the Access to Recovery grant as a major program and identified the following additional concerns:

- The County could not provide evidence that two hundred and fourteen vouchers totaling \$38,977 were allowable, as there was no documentation such as a treatment referral or case note to support the validity of the transactions. Also, referrals for fifty-three vouchers, totaling \$5,648, did not agree to the services received. We are questioning these costs.
- The Recovery Support Specialist issued thirteen vouchers totaling \$1,092 for rent and bus passes outside the period of availability, which we are questioning these costs.
- Seven participants received over \$2,500 in vouchers through this program, which is a violation of County policy, and many others received multiple vouchers in the same month. The County lacked documentation to verify that these transactions were necessary and reasonable. We have questioned some of these costs in the bullet above, for those participants that did not have referrals. However, we are not questioning costs when a valid referral was obtained.
- The County lacks documentation of valid driver’s license, insurance, and registration for the issuance of nine car repair vouchers authorizing \$10,115. We have questioned these vouchers in the bullet above for those participants that did not have referrals or the referral did not agree to the services received.

In total, we are questioning the following costs for the Access to Recovery Program:

	2013	2014	Total
Misappropriation (from table above)	17,517	47,198	64,715
Vouchers outside the period of availability		1,093	1,093
Lack of referral or other documentation	0	38,977	38,977
Referral does not agree to services	0	5,648	5,648
Total	17,517	92,916	110,433

Recommendation

We recommend the County strengthen internal controls over vouchers issued through the Assessment and Referral Department to ensure adequate oversight and monitoring to safeguard public resources and compliance with County policies. Specifically, we recommend the Department:

- Segregate duties over the voucher program to ensure that vouchers are reviewed and verified by an independent person.
- Verify that only eligible participants receive vouchers and that vouchers are supported by valid treatment referrals or documentation in the participant’s treatment plan.
- Ensure participants are only receiving vouchers that are reasonable and necessary, as outlined and documented in the treatment plan or other documentation.
- Retain documentation of a valid driver’s license, registration and insurance when issuing vouchers for car repairs.

County’s Response

As was reported in the fraud report issued by the State Auditor’s Office, the County discovered the misappropriation during the normal course of business and began its own investigation. The Auditor’s Office was notified when the investigation was done and proceeded to review the County’s work. The review confirmed the loss. It was during the regular audit that additional control problems were found.

The Access to Recovery ended in September of 2014, but the County is still issuing vouchers for the Service Projects grant. As a result of the issues noted over these voucher programs, the County has changed its policies so that no one person controls all aspects of the issuance of client vouchers. All vouchers are now being reviewed for proper support and adherence to policy prior to it being given to a client. Also, the County will be reviewing any future programs that may use client

vouchers to ensure adequate controls can be implemented to prevent improper payments from being made.

In addition, we would like to extend our appreciation to the State Auditor's Office staff for their hard work and willingness to work with the County staff on these issues.

Auditor's Remarks

We appreciate the County's commitment to resolve this finding and thank the County for its cooperation and assistance during the audit. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

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

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Deficiency in 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 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 the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

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

Remote. The chance of the future event or events occurring is slight.

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

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

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Section C, states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular.
 - c. Be authorized or not prohibited under State or local laws or regulations.

- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
 - f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
 - g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
 - h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
 - i. Be the net of all applicable credits.
 - j. Be adequately documented.
2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:
- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
 - b. The restraints or requirements imposed by such factors as: sound business practices; arm's length bargaining;

Federal, State and other laws and regulations; and, terms and conditions of the Federal award.

- c. Market prices for comparable goods or services.
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
- e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

Access to Recovery 3, application abstract, Section B, states in part:

Individuals and their families will be offered a choice of treatment and recovery providers, and will work with an assigned Recovery Care Coordinator (RCC) to develop personal recovery plans that identify person centered, individualized services needed to achieve and maintain recovery.

**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**

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

Board of Commissioners
Yakima County
Yakima, 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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Yakima County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 24, 2015.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

In addition, we noted certain matters that we will report to the management of the County in a separate letter dated July 24, 2015.

COMPLIANCE AND OTHER MATTERS

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

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001.

COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. 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 blue ink that reads "Jan M. Jutte". The signature is written in a cursive, flowing style.

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

July 24, 2015, except for the matters described in the Schedule of Federal Audit Findings and Questioned Costs 2014-001, for which the date is September 11, 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**

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

Board of Commissioners
Yakima County
Yakima, Washington

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

We have audited the compliance of Yakima 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.

Basis for Qualified Opinion on CFDA 93.275 Substance Abuse and Mental Health Services - Access to Recovery Program

As described in Finding 2014-001 in the accompanying Schedule of Federal Audit Findings and Questioned Costs, the County did not comply with requirements regarding its Substance Abuse and Mental Health Services - Access to Recovery program for activities allowed or unallowed, allowable costs/cost principles, and eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to the program.

Qualified Opinion on CFDA 93.275 Substance Abuse and Mental Health Services - Access to Recovery Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 its Substance Abuse and Mental Health Services - Access to Recovery Program for the year ended December 31, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the accompanying Federal Summary for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures also disclosed another instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. Our opinion on each of the other major federal programs is not modified with respect to these matters.

County's Response to Findings

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 to be a material weakness.

We also noted certain matters that we will report to the management of the County in a separate letter dated September 11, 2015.

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 Audit 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



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

September 11, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Commissioners
Yakima County
Yakima, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Yakima County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 24.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Yakima County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26 through 44, budgetary comparison information and notes on pages 101 through 108, information on postemployment benefits other than pensions on page 109 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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*. This schedule is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 July 24, 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

July 24, 2015

FINANCIAL SECTION

Yakima County January 1, 2014 through December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of the Balance Sheet of Governmental funds to the Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to the Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2014

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – County Road – 2014

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – Aging and Long-Term Care – 2014

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – Support Investment in Economic Diversification – 2014

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – Department of Corrections – 2014

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – Community Services Program – 2014

Schedule of Revenues, Expenditures, and changes in Fund Balance – Budget (GAAP Basis) and Actual – District Court Probation – 2014

Notes to Required Supplementary Information – 2014

Other Postemployment Benefits – LEOFF 1 Retiree Medical Benefits – Schedule of Funding Progress – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Yakima County's discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The total assets of Yakima County exceeded its liabilities at December 31, 2014 by \$395 million dollars. Net position invested in capital assets account for 73% of this amount, with a value of \$290 million. Of the remaining net position, over \$56 million represents unrestricted net position.
- As of December 31, 2014, Yakima County's governmental activities reported combined ending net position of over \$353 million. Of that amount, \$261 million was invested in capital assets net of related debt, over \$48.6 million was legally restricted for specific projects or programs, and \$42 million was available for spending at the government's discretion.
- Total Fund balance for the General Fund was \$10.3 million dollars at December 31, 2014, with \$8.38 million in unassigned and available for government's discretion.
- Yakima County's business type activities reported a combined ending net position of over \$41.8 million. Net invested in capital assets increased by nearly \$3 million from 2013.
- Yakima County's total long-term debt at December 31, 2014 was \$63.7 million, with a remaining capacity for non-voted debt at \$190 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Yakima County's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Yakima County's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of Yakima County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Yakima County include a full range of local government services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; community planning and development; parks and open space preservation; and care and welfare of the disadvantaged and mentally ill. In addition, other general government services are provided, such as elections, property assessment, tax collection, and the issuance of licenses. The business-type activities of Yakima County include Solid Waste, Public Services Utilities, and Building and Fire Safety.

The statement of net position presents information on all of Yakima County's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in assets may serve as a useful indicator of whether the financial position of the County is increasing or decreasing. However, this is just one

indicator of financial health of the County. Other indicators include the condition of the County's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the County.

The statement of activities presents information showing how the government's net position changed during 2014. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2014, and earned but unused vacation leave, will be included in the statement of activities as revenue and expenses, even though the cash associated with these items will not be received or distributed in 2014.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Yakima County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Yakima County can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, the County Road Fund, Aging and Long-Term Care, Supporting Investment in Economic Diversification (SIED), Department of Corrections, Community Services Program and District Court Probation. All of these are considered to be major funds based on criteria established by GASB Statement #34.

GASB Statement #34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category.

Data from the remaining governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may

better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The County maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a departmental level. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund and all special revenue and capital funds to demonstrate compliance with the budget.

Proprietary Funds

There are two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Solid Waste, Public Services Utilities, and Building and Fire Safety. Internal Service Funds (the second type of proprietary funds) accumulate and allocate costs internally among the County's various functions. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements with the remaining balances included in the governmental activities column.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Position to the business-type column on the Government-Wide Statement of Net Position, you will notice that the total net position agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" and "interfund loans payable" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements. The proprietary fund combining statements follow the governmental fund combining statements in this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Yakima County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Yakima County has two types of fiduciary funds: Agency Funds (which are clearing accounts for assets held by Yakima County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong). Investment/Fiduciary Funds account for external pooled and non-pooled investments held by the County Treasurer on behalf of external pool participants in the County's investment program. External participants are generally government entities that do not have their own treasurer. The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
Statement of Net Position

The Statement of Net Position is as a useful indicator of a government's financial position. Yakima County's overall financial position has improved when comparing total net position of \$395 million at December 31, 2014, compared to \$377 million in 2013.

Yakima County's Net Position

amounts presented in 1,000's	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Current and Other Assets	\$ 112,667	\$ 122,142	\$ 25,216	\$ 25,796	\$ 137,883	\$ 147,936
Capital Assets and Construction in Progress (Net of Depreciation)	288,321	298,436	29,138	31,760	317,459	330,197
Total Assets	\$ 400,988	\$ 420,578	\$ 54,354	\$ 57,556	\$ 455,342	\$ 478,133
Total Deferred Outflows of Resources	-	-	-	-	-	-
Long-Term Liabilities	\$ 42,020	\$ 45,229	\$ 13,292	\$ 13,790	\$ 55,312	\$ 59,019
Other Liabilities	19,772	20,599	1,773	1,950	21,545	22,549
Total Liabilities	\$ 61,792	\$ 65,828	\$ 15,065	\$ 15,740	\$ 76,857	\$ 81,568
Total Deferred Inflow of Resources	\$ 780	1,537	-	-	\$ 780	1,537
Net Position:						
Net Investment in Capital Assets	\$ 257,968	\$ 261,669	\$ 25,634	\$ 28,599	\$ 283,602	\$ 290,269
Restricted For:						
Debt Service	639	797	-	-	639	797
Security of Persons	1,449	2,808	-	-	1,449	2,808
Transportation	3,479	6,134	-	-	3,479	6,134
Economic Development	16,423	19,731	-	-	16,423	19,731
Health and Human Services	6,942	7,416	-	-	6,942	7,416
Capital Projects	8,930	10,146	-	-	8,930	10,146
Judicial & Special Revenue	10,402	1,634	-	-	10,402	1,634
Unrestricted	32,184	42,876	13,654	13,216	45,838	56,092
Total Net Position	\$ 338,416	\$ 353,213	\$ 39,288	\$ 41,816	\$ 377,705	\$ 395,029

Of the \$147 million in current and other assets (compared to \$137 million at December 31, 2013), \$109 million is in cash/cash equivalents and investments (an increase from \$103 million in 2013), \$36.5 million is in accounts and notes receivable (up from the \$32 million in 2013). At December 31, 2014, cash/cash equivalents and investments accounted for 22% (22% in 2013) of total assets. Basically unchanged from the 2013 year.

At December 31, 2014, the County had outstanding liabilities of \$81.5 million (an increase from \$76 million in 2013), with over \$59 million in long term liabilities (an increase from \$55 million in 2013). The increase is attributed to \$3 million of debt service payments and \$6 million in new debt issuance. Of the long term liabilities, \$3.4 million is due within a year with the remainder due over the life of the debt. Refer to the notes to the financial statements (Note IV) for a more detailed discussion of long term debt.

At December 31, 2014, \$22 million in other liabilities included over \$15 million in accounts payable and accrued liabilities (an increase from \$14.3 million in 2013). Amounts due to other governments of \$2.5 million (a decrease from \$2.7 million in 2013).

The largest portion of the County's net position (73%) reflects its investment in capital less any outstanding related debt used to acquire those assets. The County's capital assets are used to provide services to citizens. Consequently, investments in capital are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

12% of the County's net position is subject to external restrictions on how it may be used (restricted by the Revised Code of the State of Washington and contractual agreements with parties outside of the primary government). The remaining balance of over \$56 (unrestricted net position) represents the amount that may be used to meet the County's ongoing obligations.

Statement of Changes in Net Position

The County's total net position in 2014 increased by 14.7 million in governmental activities and an increase in business-type activities of \$2.5 million accounted for the change in net position. Key elements in changes in net position are shown in the following table.

Yakima County Changes in Net Position

amounts presented in 1,000's	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues						
Charges for Services	\$ 30,072	\$ 24,786	\$ 11,546	\$ 12,122	\$ 41,618	\$ 36,908
Operating Grants and Contributions	28,798	38,155	416	327	29,214	38,482
Capital Grants and Contributions	240	66	-		240	66
General Revenues:						
Taxes	60,230	64,324	-		60,230	64,324
Grants/Contributions Not Restricted	6,209	7,415	148	122	6,357	7,537
Interest Earnings on Investments	1,954	2,372	68	218	2,022	2,590
Gain/(Loss) on Sale of Assets	291	234	126	483	417	717
Total Revenues	<u>\$ 127,794</u>	<u>\$ 137,352</u>	<u>\$ 12,304</u>	<u>\$ 13,272</u>	<u>\$ 140,098</u>	<u>\$ 150,624</u>
Program Expenses:						
General Government	\$ 19,594	\$ 19,042	\$ -	\$ -	\$ 19,594	\$ 19,042
Judicial	8,790	9,176	-	-	8,790	9,176
Public Safety	42,529	40,419	-	-	42,529	40,419
Physical Environment	2,093	2,416	-	-	2,093	2,416
Transportation	30,136	25,644	-	-	30,136	25,644
Economic Environment	4,932	5,986	-	-	4,932	5,986
Health and Human Services	18,856	17,059	-	-	18,856	17,059
Culture and Recreation	1,069	1,340	-	-	1,069	1,340
Solid Waste	-	-	6,993	8,048	6,993	8,048
Public Services Utilities	-	-	1,748	1,379	1,748	1,379
Building and Fire Safety	-	-	1,600	1,785	1,600	1,785
Interest on Long-Term Debt	1,468	1,293	-	-	1,468	1,293
Total Expenses Before Transfers	<u>\$ 129,467</u>	<u>\$ 122,375</u>	<u>\$ 10,341</u>	<u>\$ 11,212</u>	<u>\$ 139,808</u>	<u>\$ 133,587</u>
Excess (Deficiency) of Revenues Over (Under)						
Expenses	(1,673)	14,977	1,963	2,060	290	17,037
Transfers	(111)	(179)	111	179	-	-
Change in Net Position	<u>(1,785)</u>	<u>14,798</u>	<u>2,074</u>	<u>2,239</u>	<u>290</u>	<u>17,037</u>
Net Position as of January 1	340,199	338,416	37,278	39,288	377,477	377,704
Prior Period Adjustment	-	-	(63)	288	(63)	288
Net Position as of December 31	<u>\$ 338,416</u>	<u>\$ 353,213</u>	<u>\$ 39,288</u>	<u>\$ 41,816</u>	<u>\$ 377,704</u>	<u>\$ 395,029</u>

Total revenues for Yakima County were \$150 million in 2014, an increase from \$140 million in 2013 of total revenues. Governmental activities provided over \$137 million (91%), while business-type activities added \$13.2 million (9%). A ratio that has remained essentially unchanged over the last 5 years.

Within governmental activities, tax revenue increased by \$4 million and accounted for over 47% of total revenue sources (43% in 2013). The citizens of Yakima County voted to increase their sales tax rate by 3/10ths of one percent for criminal justice support which generated over \$5.9 million in 2014, (detailed in the Criminal Justice Sales Tax fund on page 103). Total sales tax revenues increased by \$2.5 million from 2013, reflecting an increase in consumer spending. Property tax to the general fund increased by \$1.1 million from 2014 as new construction was added to the tax rolls. The Motel/Hotel tax increased by nearly \$40,000 from 2013 as more visitors traveled to enjoy Yakima County. Program revenue generated from all grants and contributions accounted for 33% of total governmental revenue (an increase from 28% in 2013). Charges for services decreased by \$5.2 million from

2013 and accounted for 18% of governmental revenues. This was due to a change in the payments received from The Regional State Network for Mental Health Services. Additionally the courts increased the collection of fees and programs for participation.

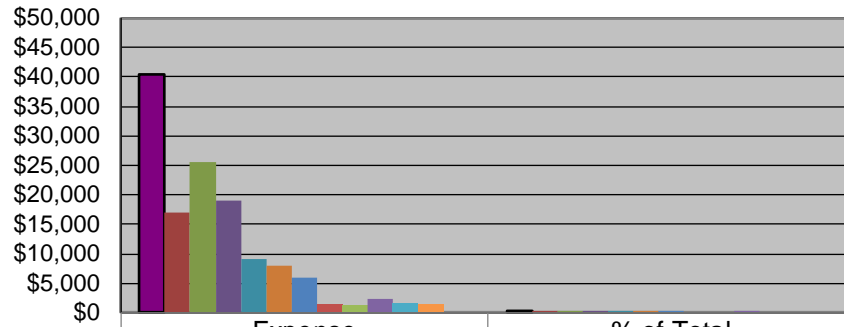
Of the \$13.2 million in business-type program revenues and interest earnings over 91% was provided by charges for services with the remaining amount provided by grants, contributions, and interest income. Interest revenues for the County were increased by \$150 thousand as market interest rates increased and the County Treasurer actively pooled the resources. Gain on sale of assets and salvage resulted in \$357 thousand an increase from 2013 of \$126 thousand.

Total expenses for the County were over \$133 million, which was a decrease of \$6.2 million from 2013. Expenses for Governmental Activities in 2014 decreased by \$7 million which includes a decrease in public safety of \$2.1 million that is related to the reduction in work force for Department of Corrections. Health and Human Services had a decrease of \$1.7 million, related to the changes in the Regional State Network contract for mental health. Judicial Expense had an increase of \$386 thousand from 2014, related to increased trial activity. General Government saw a \$552 thousand decrease as departments reduced employees and overhead costs. Transportation decreased significantly by \$4.5 million as the County delayed major transportation projects while the tax levy shift was still in place. Interest on Long Term Debt decreased by \$175 thousand as debt payments were made at lower interest rates in 2014, the advantage of a diligent Treasurer directing financing activities.

Expenses for business-type activities increased by \$871 thousand in 2014. Yakima County Solid Waste has continued projects and compliance requirements for the landfill in 2014 with increasing expenses of \$1 million in 2014.

Governmental activities accounted for over \$122 million (92%) of expenses with the largest program expenses in the areas of public safety, health and human services, transportation, general government, and judicial. These five programs accounted for 83% of total governmental expenses. Of the \$11.2 million in business-type expenses, 72% are associated with the solid waste program. Following is a graph, which illustrates by program where funds were spent in 2014.

Program Expenses - Governmental-Wide



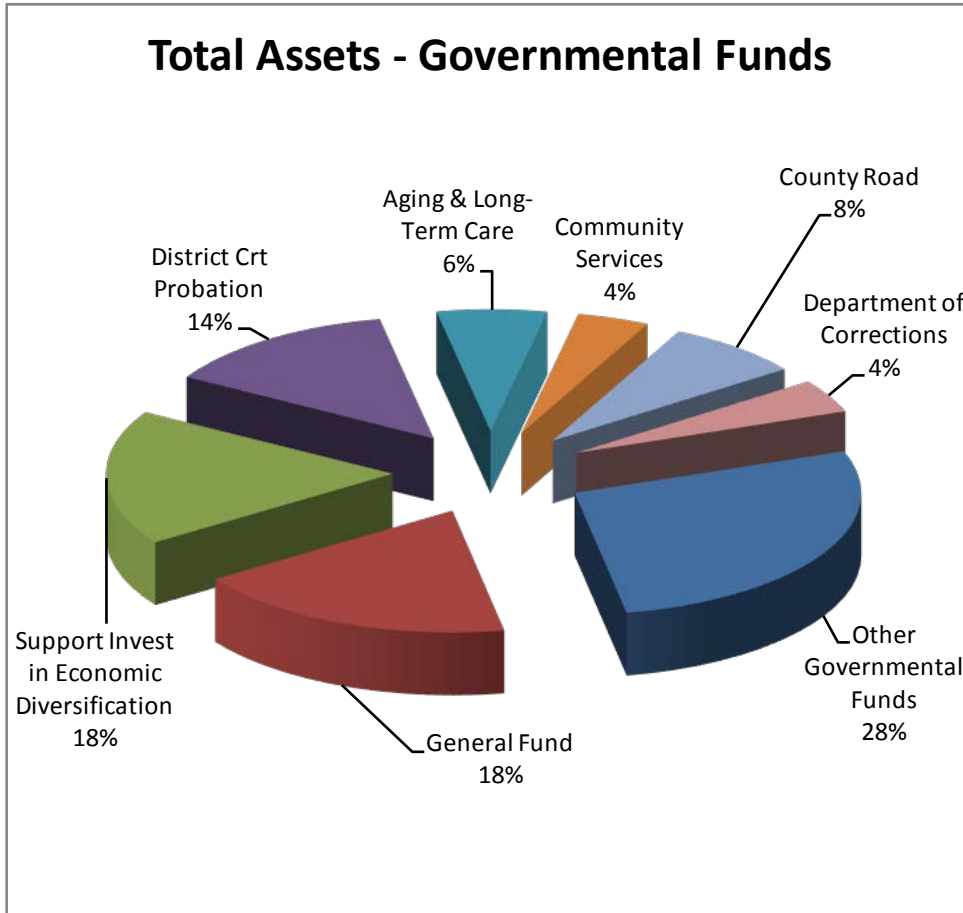
	Expense	% of Total
Public Safety	\$40,419	30%
Health and Human Services	\$17,059	13%
Transportation	\$25,644	19%
General Government	\$19,042	14%
Judicial	\$9,176	7%
Solid Waste	\$8,048	6%
Economic Environment	\$5,986	4%
Culture & Recreation	\$1,340	1%
Debt	\$1,293	1%
Physical Environment	\$2,416	2%
Building & Fire Safety	\$1,785	1%
Public Service Utilities	\$1,379	1%
Total	\$133,587	

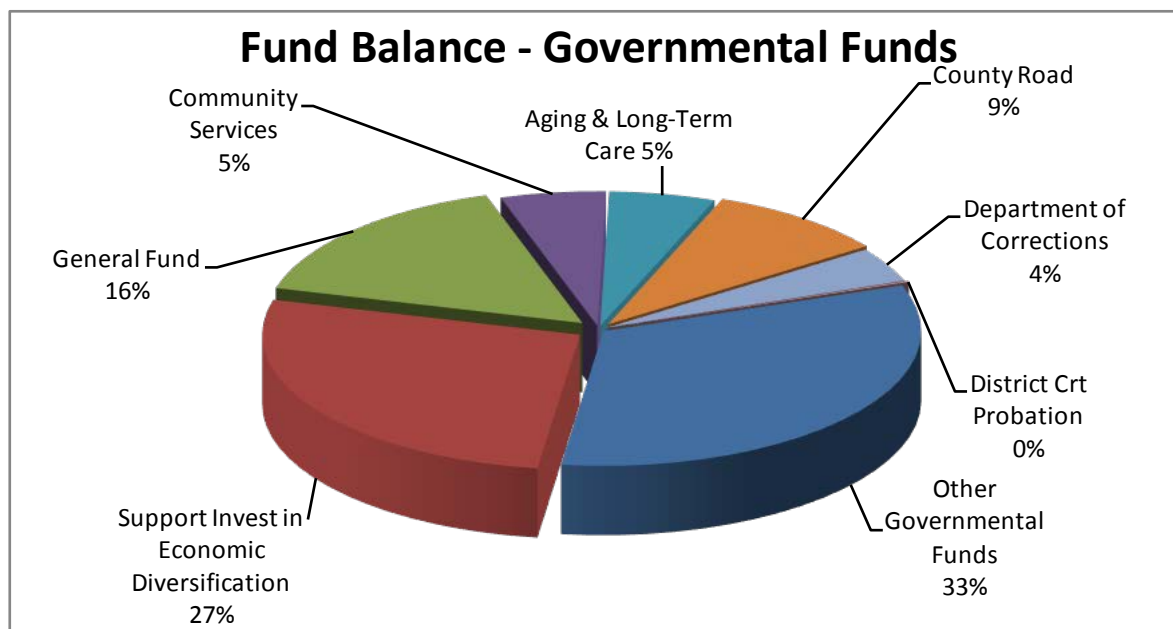
FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Yakima County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is the financial analysis of the County's governmental and proprietary funds.

Governmental Funds Balance Sheet Analysis

The General Fund, County Road, Aging and Long-Term Care, Support Invest in Economic Diversification, Department of Corrections, Community Services and District Court Probation Fund are the County's major funds in 2014. Together these funds account for 72% of total governmental fund assets and 67% of total governmental fund balance.





The focus of Yakima County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2014, the County's governmental funds reported combined fund balances of over \$65 million. Of this total amount, \$5.4 million in Nonspendable as imprest cash, inventory or prepaid postage accounts. \$32 million is restricted by the State Legislature through the rules and laws regarding expenditures and uses. \$2.1 million is committed by County resolutions signed by the Board of Commissioners, \$17.1 million is assigned to the funds by budget, contract or other commitments. The remaining \$8.3 million is unassigned and available for current County obligations.

The **General Fund** is the chief operating fund of Yakima County. On December 31, 2014, unassigned fund balance of the General Fund was over \$8.3 million (an increase from \$6.4 million from 2013), while total fund balance reached over \$10.3 million. Included in the General Fund balance for 2014 is park operations, this fund had previously been presented as a special revenue fund. Park Fund operations no longer have sufficient revenue receipts to qualify as a special revenue fund and because of requirements of GASB 54 is included as part of the General Fund.

The actual fund balance in the General fund exceeded budgeted expectations with an increase in total government expenditures of \$803 thousand as all general fund department purchased equipment and computers. Total assets in the General Fund amounted to \$18.7 million, accounting for 18% of total governmental fund assets. General Fund total assets were increased by \$1.7 million from 2013. This can be explained by the County receipting \$2.1 million more in taxes.

County Roads Fund, a special revenue fund, is used to account for the maintenance and operations of the public roads and bridges of the County. At the end of the current fiscal year, total fund balance was \$6 million, an increase of \$2.5 million in 2013. County Road represents 9% of total governmental fund balance, an increase from 6.2% in 2013.

Aging & Long Term Care, a special revenue fund, receives the majority of its funding through state and federal grants for administrative operations of the Southeast Washington Office of Aging and Long Term Care. The total fund balance at the end of 2014 was \$3.5 million, an increase from 2013 of \$465 thousand. The operations include offices in Zillah, Asotin, Pasco, Dayton, Kittitas, Walla Walla, Yakima and Kennewick. The Fund represent 5.4% of the total governmental fund balance, a slight change from 5.5% in 2013. Aging and Long term Care will

separate from the County at the end of 2014 to become its own separate entity, similar to other Councils in Western Washington. The services will continue but the accounting, finance and budgeting will be under a Local Council of Governments in six counties.

Support Investment in Economic Diversification, a special revenue fund, assists local government infrastructure development and promotes ongoing operation and expansion of businesses. The funding is from a law that created a sales tax levy for distressed rural counties. The fund represents 27% of the total governmental fund balance a decrease from 29% in 2013.

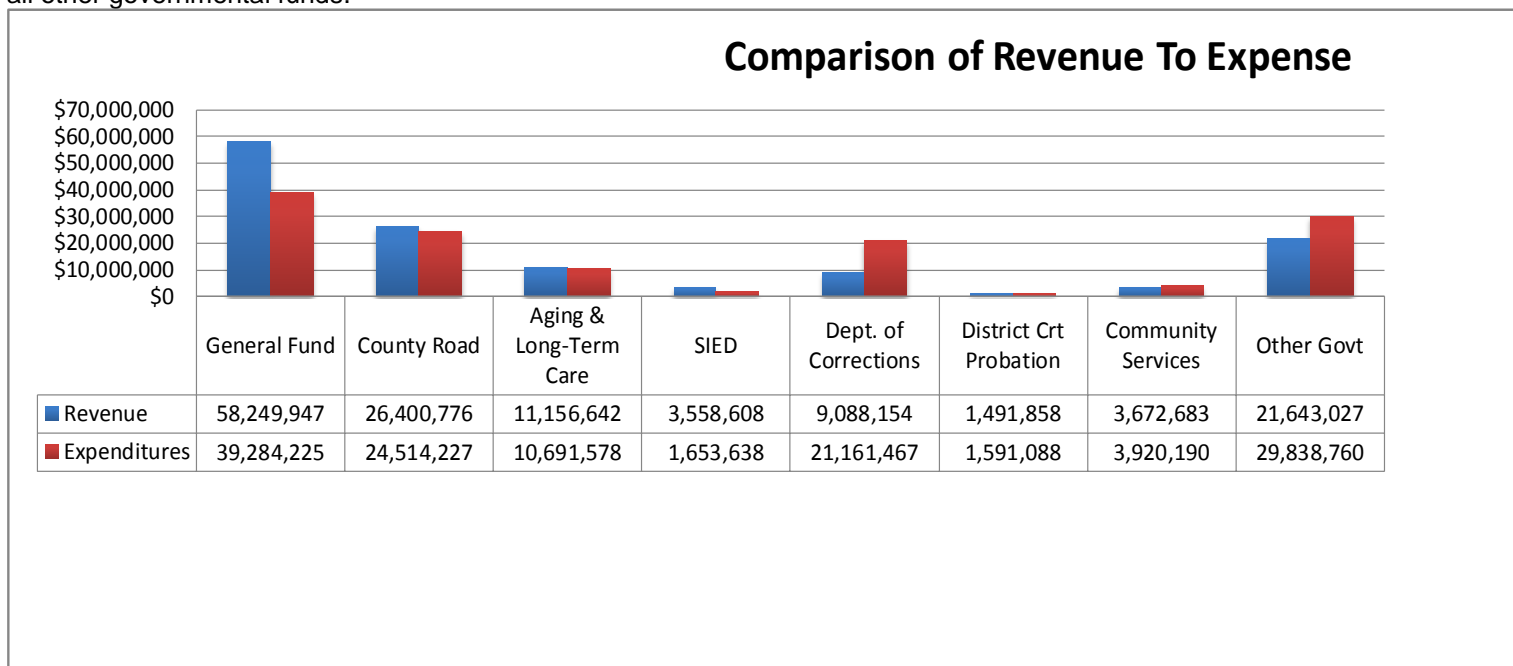
Department of Corrections, a special revenue fund, receives the majority of its funding from other governmental jurisdictions and the general fund to house pretrial and convicted persons. Revenue is dictated by the number of beds available and the number of contract beds used. The County used County Road Levy receipts for the 2014 bond payments on the jail. The Fund balance represents 4% of the total governmental fund balance an increase of 1.1% from 2013. The County anticipates additional bed rentals from an agreement with the State of Washington pending funding and population profiles of inmates. The County has also continued to pursue mid-range contracts with other cities for bed rentals.

Community Services Program, a special revenue fund, receives the majority of its funding from the Regional State Network for Mental Health Services (RSN), Federal and State Grants. The RSN coordinates reimbursements to the Counties for Mental Health Service provided to County Residents. They work closely with the judicial, juvenile and jail system to cover the needs in a geographical area. The fund represents 5% of the governmental fund balance which is a decrease from 7% 2013.

District Court Probation provides Yakima County District Court and Superior Courts with sentencing investigation, client supervision and treatment. Compliance review and community service placement is provided for defendants with misdemeanor and gross misdemeanor cases. The probation department has over \$13.5 million in accounts receivable with expected collections of \$1.5 million in the following year. Collection activity and assessments are controlled at the discretion of the Court Administrator and Judges. The 2014 fund balance is \$92 thousand representing less than 1% of the governmental fund balance.

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the seven major governmental funds and for all other governmental funds.



The revenue indicators in the chart do not include one-time only financing sources, such as proceeds from new debt or the sale of assets. The General Fund and the County Road fund account for 62% of all governmental fund revenue and over 48% of all expenditures.

The County General Fund had a revenue increase in taxes of \$2.1 million and a decrease in intergovernmental grants and charges for services of \$427 thousand. Expenditures increased by a total of \$1.2 million from 2013, with all department purchasing equipment and computer replacements as capital outlay. General government and Security of Persons saw increased wage and benefits in 2014.

Operating Revenues for the County Road were up by \$5.6 million from 2013. The County Commissioners shifted part of the levy dollars to the general fund to cover debt service payments on the jail debt. Intergovernmental revenues were up by \$4.9 million from 2013 for shared transportation projects. Expenditures in County Road increased by \$5 million from 2013 (\$19.3 million) as projects were completed in 2014.

The Aging and Long-Term Care fund receives over \$9.8 million (99.0%) of its funding from state and federal grants. The Aging Fund covers services to multiple counties. Operating revenues were up by \$387 thousand from 2013 as slight changes in grant reimbursements and coverage occurred in 2014.

The SIED fund receives over \$3.3 million (94%) of its funding from an allocation from the State of Washington sales tax. The sales tax to the fund was up by \$278 thousand from 2013. In April 15, 2014 the County Commissioners approved a SIED contract with the City of Yakima for Cascade Mill District Development Project. The approval was for a \$900,000 grant and a \$900,000 loan. The contract is to provide for the construction of infrastructure improvements, with a goal of promoting businesses and providing jobs in the rural distressed areas. Repayment of the loan is due to the County by June 1, 2017 at 2.44 % interest. Additionally SIED transferred \$683,717 in grant funds for the East-West Corridor Project. This project will provide an alternative river crossing to connect the growing neighborhood of Terrace Heights to the City of Yakima and relieve congestion along Yakima Avenue. This improvement will also help public transit, emergency response, and non-vehicular transportation. The Yakima River floodplain will also benefit from this project.

The Department of Corrections fund received \$9 million in revenue which is an increase in revenue from \$7.8 million in 2013. Intergovernmental/Charges for Service Revenues were up by \$1 million from 2013 because of additional contracts with local cities for bed rentals.

The Community Service fund became a major fund in 2010 because of the funding for Mental Health Services which were directly paid by the County. This contract arrangement was changed in July 2013 the State Regional Mental Health Network choose to make payment directly to the provider, Central Washington Mental Health, for all facility services. Revenues are reduced by \$1.3 million and the corresponding payment for those services is reduced by \$1.5 million as the State made payments directly to the provider. Law changes effective for 2014 will further change the funding process for the Community Service Fund with the expectation that the State Regional Mental Health Network will directly receive all funding by the end of 2015.

District Court Probation receives revenue from fees from adult district court defendants. The fees are for probation, relicensing program, alcohol/ drug treatment and mental health programs. District Court Probation has a \$13.5 million receivable balance because defendants may take over 10 years to satisfy their obligations to the Courts. Total revenue for 2014 was \$1.49 million, down from \$1.58 million for 2013.

Enterprise Funds Net Position Analysis

All of the enterprise funds of Yakima County, including: Solid Waste, Public Services Utilities, and Building and Fire Safety, are considered major funds for 2014. The following table reflects the Proprietary Funds Statement of Net Position as of December 31, 2014.

**Yakima County
Proprietary Funds Net Position**

amounts presented in 1,000's

	Solid Waste		Public Services Utilities		Building and Fire Safety		Total	
	2013	2014	2013	2014	2013	2014	2013	2014
ASSETS								
<u>Current Assets</u>								
Cash/Investments	\$ 21,671	\$ 22,208	\$ 2,138	\$ 1,881	\$ 559	\$ 785	\$ 24,368	\$ 24,874
Other Current Assets	687	662	148	180	13	79	848	921
Total Current Assets	22,358	22,870	2,286	2,061	572	864	25,216	25,795
<u>Noncurrent Assets</u>								
Long Term Receivables	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Construction in Progress	6,907	498	87	649	-	-	6,994	1,147
Capital Assets	20,325	29,118	15,043	15,166	25	25	35,393	44,309
Less Accumulated Depreciation	(6,714)	(7,238)	(6,510)	(6,433)	(25)	(25)	(13,249)	(13,696)
Total Noncurrent Assets	20,518	22,378	8,620	9,382	-	-	29,138	31,760
 Total Assets	 \$ 42,876	 \$ 45,248	 \$ 10,906	 \$ 11,443	 \$ 572	 \$ 864	 \$ 54,354	 \$ 57,555
LIABILITIES AND FUND EQUITY								
<u>Current Liabilities</u>								
Accounts Payable and Other	\$ 1,337	\$ 1,499	\$ 120	\$ 150	\$ 197	\$ 186	\$ 1,654	\$ 1,834
Total Current Liabilities	1,337	1,499	120	150	197	186	1,654	1,834
<u>Noncurrent Liabilities</u>								
Notes and Loans Payable	-	-	85	83	-	-	85	83
G. O. Bonds Payable	3,075	2,730	-	-	-	-	3,075	2,730
Other Noncurrent Liabilities	10,061	10,906	134	135	56	51	10,251	11,092
Total Noncurrent Liabilities	13,136	13,636	219	218	56	51	13,411	13,905
Total Liabilities	\$ 14,473	\$ 15,135	\$ 339	\$ 368	\$ 253	\$ 237	\$ 15,065	\$ 15,740
<u>Net Position</u>								
Invested in Capital Assets, Net of Related Debt	17,103	19,304	8,531	9,296	-	-	25,634	28,600
Unrestricted	11,300	10,810	2,036	1,779	318	626	13,654	13,216
Total Net Position	\$ 28,403	\$ 30,114	\$ 10,567	\$ 11,075	\$ 318	\$ 626	\$ 39,288	\$ 41,816

The Solid Waste Fund holds 72% of net position for all enterprise funds at December 31, 2014. The activities of this fund involve maintenance and operation of the Terrace Heights and Cheyne landfills along with other programs and services relating to hazardous waste, recycling, waste diversion programs and educational efforts.

As of December 31, 2014, the County's enterprise funds reported combined net position of over \$41.8 million, an increase of \$2.5 million over 2013. Of the \$41.8 million, \$28.6 million (68%) of net position is accounted for as invested in capital assets, net of related debt. The remaining \$13.2 million is available in accordance with the needs of the programs. The Solid Waste Fund had an increase in total liabilities of \$662 thousand for landfill costs and project repairs. The Public Services Utilities had an increase of \$29 thousand in total liabilities as project cost and expense for water systems were accrued for 2014.

Enterprise Funds Revenue/Expense Analysis

Revenues from the Solid Waste fund contributed 72% of the total revenues for enterprise funds of \$12.6 million in 2014. Of the \$10.7 million total expenses for 2014, the majority of the increase of \$512 thousand is attributed to the Solid Waste Fund. Yakima County Solid Waste embarked on the expansion of the Cheyne Landfill in 2013, resulting in an increase in monitoring and landfill postclosure costs as explained in note X.

Following is a table, which gives a condensed look at revenues, expenses, and net change in fund balance for the enterprise funds.

YAKIMA COUNTY, WASHINGTON Enterprise Funds Revenue and Expenses

amounts presented in 1,000's

	Solid Waste		Public Services Utilities		Building & Fire Safety		Total	
	2013	2014	2013	2014	2013	2014	2013	2014
Revenues								
Charges for Services	\$ 8,530	\$ 8,578	\$ 1,275	\$ 1,445	\$ 575	\$ 2,088	\$ 10,380	\$ 12,111
Intergovernmental	378	320	-	7	38		416	327
Interest Revenue	58	195	7	18	3	5	68	218
Miscellaneous Revenue	51	9	8	1	1,106	1	1,165	11
Total Operating Revenues	\$ 9,017	\$ 9,102	\$ 1,290	\$ 1,471	\$ 1,722	\$ 2,094	\$ 12,029	\$ 12,667
Expenses								
Personal Services	\$ 2,488	\$ 2,501	\$ 615	\$ 585	\$ 1,229	\$ 1,291	\$ 4,332	\$ 4,377
Contractual services	3,467	3,785	678	708	344	475	4,489	4,968
Other Supplies and Expenses	163	256	63	46	26	19	252	321
Depreciation	474	538	389	36	1	-	864	574
Landfill Closure Postclosure	291	863	-	-	-	-	291	863
Interest Expense	111	104	3	4	-	-	114	108
Loss on Disposition of Capital	(126)	(483)	-	-	-	-	(126)	(483)
Total Expenses	\$ 6,868	\$ 7,564	\$ 1,748	\$ 1,379	\$ 1,600	\$ 1,785	\$ 10,216	\$ 10,728
Income (Loss) before Transfers	2,149	1,538	(458)	92	122	309	1,813	1,939
Capital Contributions	-	-	148	122	-	-	148	122
Interfund Transfers	-	-	111	179	-	-	111	179
Change in Net Position	2,149	1,538	(199)	393	122	309	2,072	2,240
Total Net Position- Beginning	26,253	28,402	10,829	10,567	196	318	37,278	39,287
Prior Period Adjustment	-	174	(63)	114	-	-	(63)	288
Total Net Position - Ending	\$ 28,402	\$ 30,114	\$ 10,567	\$ 11,075	\$ 318	\$ 626	\$ 39,287	\$ 41,816

Total revenue and expenses for the year produced a net gain of over \$1.9 million in the Enterprise Funds and resulted in a positive change in net position of \$2.5 million 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Changes in Budget

The following table shows the changes between the original and the final General Fund budget as of December 31, 2014.

**Yakima County, Washington
General Fund Changes in Budget
As of December 31, 2014**

<u>Revenues</u>	Original Budget	Final Budget	Changes Positive (Negative)
Taxes	\$ 36,642,700	\$ 36,864,000	\$ 221,300
Licenses and Permits	356,400	321,400	(35,000)
Intergovernmental	7,875,097	7,811,829	(63,268)
Charges For Services	6,971,358	7,269,182	297,824
Fines and Forfeits	2,765,070	2,765,070	-
Miscellaneous Revenues	1,969,255	1,969,255	-
Total Revenues	<u>\$ 56,579,880</u>	<u>\$ 57,000,736</u>	<u>\$ 420,856</u>
<u>Expenditures</u>			
General Governmental Services	\$ 16,325,931	\$ 16,560,926	\$ (234,995)
Judicial	7,418,513	7,470,591	(52,078)
Security of Persons and Property	13,653,949	14,010,227	(356,278)
Physical Environment	199,432	199,432	-
Transportation	-	-	-
Economic Environment	1,817,582	1,726,164	91,418
Mental and Physical Health	100,000	100,000	-
Culture and Recreation	304,897	389,617	(84,720)
Capital Outlay	147,200	314,216	(167,016.0)
Total Expenditures	<u>\$ 39,967,504</u>	<u>\$ 40,771,173</u>	<u>\$ (803,669)</u>
Excess (Deficit) Revenues Over Expenditures	16,612,376	16,229,563	(382,813)
<u>Other Financing Sources (Uses)</u>			
Comp Loss on Capital Assets	-	-	-
Operating Transfers In	102,657	262,300	159,643
Operating Transfers Out	(24,029,344)	(23,882,619)	146,725
Capital Leases	(7,182)	(7,182)	-
Total Other Financing Sources (Uses)	<u>\$ (23,933,869)</u>	<u>\$ (23,627,501)</u>	<u>\$ 306,368</u>
Excess (Deficit) Resources Over Uses	(7,321,493)	(7,397,938)	(76,445)
Fund Balance, January 1	7,356,493	7,397,438	40,945
Fund Balance, December 31	<u>\$ 35,000</u>	<u>\$ (500)</u>	<u>\$ (35,500)</u>

Budgeted expenditure increases outpaced revenue increases by \$382 thousand. Budgeted revenues increased by .74% (at \$420,856) from the original budget while budgeted expenditures increased by 1.97% (\$803,669).

The change in the revenue budget was an increase to taxes and charges for services, there was a reduction in interest and donations from private sources.

The final General Fund budget showed an increase in expenditures of \$803 thousand which impacted General Government Services, Judicial and Security of Person and Property and Capital Outlay. Significant increases in budgeted expenditures include:

Notable Changes to Department Budgets	Original	Final	Difference	Actual
<u>Department</u>	<u>Budget</u>	<u>Budget</u>		
Clerk	\$ 2,101,187	\$ 2,130,281	\$ 29,094	\$ 2,095,908
Attorney	5,597,713	5,627,713	30,000	5,549,576
Consolidated Juvenile Services	1,485,164	1,551,475	66,311	1,511,952
Assigned Counsel	2,821,966	2,913,601	91,635	2,834,050
Sheriff	8,472,899	8,737,525	264,626	8,692,505

Total General Fund budgeted revenues of \$57 million were \$1.2 million less than the total revenues actually received of \$58 million. Taxes collected were more than projected by \$1.5 million due to increase in retail sales & use taxes and property taxes.

Intergovernmental revenue, Charges for Services and Miscellaneous Revenues saw increases, the net change was less than projected by over \$69 thousand. Total fines and forfeits were less than expected by \$246 thousand.

Yakima County, Washington
General Fund Changes - Budget vs Actual
As of December 31, 2014

<u>Revenues</u>	Final Budget	Actual	Changes Positive (Negative)
Taxes	\$ 36,864,000	\$ 38,379,361	\$ 1,515,361
Licenses and Permits	321,400	372,072	50,672
Intergovernmental	7,811,829	7,682,826	(129,003)
Charges For Services	7,269,182	7,301,933	32,751
Fines and Forfeits	2,765,070	2,518,145	(246,925)
Miscellaneous Revenues	1,969,255	1,995,610	26,355
Total Revenues	\$ 57,000,736	\$ 58,249,947	\$ 1,249,211
<u>Expenditures</u>			
General Governmental Services	\$ 16,560,926	\$ 15,637,875	\$ 923,051
Judicial	7,470,591	7,265,734	204,857
Security of Persons and Property	14,010,227	13,846,153	164,074
Physical Environment	199,432	176,929	22,503
Transportation	-	-	-
Economic Environment	1,726,164	1,593,051	133,113
Mental and Physical Health	100,000	100,000	-
Culture and Recreation	389,617	350,027	39,590
Capital Outlay	314,216	314,456	(240)
Total Expenditures	\$ 40,771,173	\$ 39,284,225	\$ 1,486,948
Excess (Deficit) Revenues Over Expenditures	16,229,563	18,965,722	2,736,159
<u>Other Financing Sources (Uses)</u>			
Comp Loss on Capital Assets	-	52	52
Operating Transfers In	262,300	266,945	4,645
Operating Transfers Out	(23,882,619)	(17,379,783)	6,502,836
Capital Lease	(7,182.00)	(7,182)	0
Total Other Financing Sources (Uses)	(23,627,501)	(17,119,968)	6,507,533
Excess (Deficit) Resources Over Uses	(7,397,938)	1,845,754	9,243,692
Fund Balance, January 1	7,397,438	8,503,094	1,105,656
Fund Balance, December 31	\$ (500)	\$ 10,348,848	\$ 10,349,348

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Yakima County's total investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2014, amounts to over \$330 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, infrastructure, and construction in progress on buildings and systems. Major capital asset events during the current fiscal year included the following:

- A variety of projects for both new street construction and for expansion of existing streets were ongoing during the year. Transportation improvements totaled over \$11.8 million.
- Improvements to Department of Corrections facilities were over \$4.8 million.
- The Moxee shooting range had improvements of \$348 thousand to include a special law enforcement range.

Additional information on Yakima County's capital assets can be found in notes to the Financial Statements under Capital Assets and detailed Statements on page 174.

Long-Term Debt

At December 31, 2014, Yakima County had a total long term debt of over \$63.7 million. General Obligation debt at the end of 2014 was \$39.1 million, up from \$35.8 million in 2013. Special Assessment Bonds were \$48,500 which is down by \$22,000 as payments were made. Special assessment debt for which the government is liable for in the event of default by the property owner's subject to the assessment.

Yakima County's total bonded debt had a net increase of \$3.2 million during 2014. The significant debt activity included:

- Issuance of Long term debt of \$6.258,000 as Limited Tax General obligation Bonds for 20 years, interest rate averages 2.5%
- Loan Payments detailed in notes to the financial statements of \$2.6 million for governmental debt and \$340 thousand for business type debt.

Other Long-Term Debt included Advances Due to Other Governments with a net decrease in governmental funds of \$947 thousand and a decrease in business type of \$2,889. Compensated Absences reflecting leave balances promised to employees decreased to \$2.1 million.

The LEOFF 1 obligation of the County continued to increase by \$685 thousand for a total of \$4 million, which is explained in greater detail in the notes.

The County's legal limit for non-voted debt was \$190,336,227 with a remaining capacity of \$340,534,753 at December 31, 2014. Yakima County maintains an "A1" rating from Moody's on general obligation debt. Additional information on the County's long-term debt can be found in Note IV.

ECONOMIC FACTORS

June 17, 2014 the County Commissioners passed an ordinance prohibiting the production, processing and retail sale of recreational marijuana in all districts within Yakima County. On November 6, 2012 the voters of the State of Washington approved Initiative Measure I-502 which provides decriminalized possession and use of certain amounts of marijuana and marijuana paraphernalia. Under the Growth Management Act Counties are empowered and authorized to adopt land use controls to provide for the regulation of land uses within the county. Furthermore, Washington State Attorney General's office has concluded that local jurisdictions may exercise appropriate constitutional powers over commerce and enterprise.

At the end of 2014, Aging and Long Term Care, a major fund, left the County and started operations as a separate entity. Aging & Long Term care will operate as a council of governments for the eight counties it represents in South Central Washington. This format is similar to the operations in Western Washington. Operations for older and disabled citizens will continue to all 13,000 square miles encompassing: Kittitas, Yakima, Benton, Franklin, Walla Walla, Columbia, Grant and Asotin counties.

Requests for Information:

This financial report is designed to provide a general overview of Yakima County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's Office, Yakima County, 128 N 2nd Street Room 117, Yakima, WA 98901.

YAKIMA COUNTY, WASHINGTON

Statement of Net Position

December 31, 2014

amounts presented in 1000's

	Governmental Activities	Business-Type Activities	Total
<i>ASSETS</i>			
Cash/Cash Equivalents	\$ 36,388	\$ 1,516	\$ 37,905
Investments	36,708	23,358	60,066
Receivables	17,898	672	18,571
Due From Other Governments	17,689	245	17,933
Internal Balances	(4)	4	-
Inventories/Prepayments	1,897	-	1,897
Restricted Assets:			
Restricted for Debt Service:			
Cash/Cash Equivalents	189	-	189
Investments	608	-	608
Receivables	55	-	55
Restricted for Capital Projects:			
Cash/Cash Equivalents	1,890	-	1,890
Investments	8,817	-	8,817
Receivables	6	-	6
Capital Assets:			
Land and Construction in Progress	115,160	7,089	122,249
Other Capital Assets, Net of Depreciation	183,276	24,671	207,948
Total Assets	\$ 420,578	\$ 57,556	\$ 478,133
<i>DEFERRED OUTFLOWS OF RESOURCES</i>			
	-	-	-

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Statement of Net Position

December 31, 2014

amounts presented in 1000's

	Governmental Activities	Business-Type Activities	Total
<i>LIABILITIES</i>			
<u>Liabilities</u>			
Accounts Payable & Other Current Liabilities	\$ 2,888	\$ 895	\$ 3,783
Accrued Liabilities	8,551	536	9,087
Due to Other Governments	2,511	-	2,511
Restricted Liabilities:	-	-	0
Restricted for Capital Projects:			
Accounts Payable & Other Current Liabilities	1,344		1,344
Other Liabilities	1,017	116	1,133
Long Term Liabilities:			
Landfill Closure and Postclosure Care:			
Due Within One Year	-	34	34
Due In More Than One Year	-	10,819	10,819
Special Assessment Debt with Governmental Commitment:			
Due Within One Year	16	-	16
Due In More Than One Year	33	-	33
Bonds & Advance To Other Governments Due Within One Year	4,004	348	4,352
Other Liabilities Due in One Year	269	21	290
Bonds & Advance To Other Governments Due In More Than One Year	39,278	2,813	42,091
Other Due In More Than One Year	5,918	158	6,076
 Total Liabilities	 65,828	 15,740	 81,568
 <i>DEFERRED INFLOWS OF RESOURCES</i>			
Unavailable revenue	1,537	-	1,537
TOTAL DEFERRED INFLOWS OF RESOURCE	1,537	-	1,537
 <u>Net Position</u>			
Net Investment in Capital Assets	261,669	28,599	290,269
Restricted For:			
Debt Service	797	-	797
Security of Persons	2,808	-	2,808
Transportation	6,134	-	6,134
Economic Environment	19,731	-	19,731
Health and Human Services	7,416	-	7,416
Capital Projects & Replacements	10,146	-	10,146
Judicial & Special Revenue	1,634	-	1,634
Unrestricted	42,876	13,216	56,092
Total Net Position	\$ 353,213	\$ 41,816	\$ 395,029

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Statement of Activities

Year Ended December 31, 2014

amounts presented in 1000's

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government:							
Governmental Activities:							
General Government	\$ 19,042	\$ 1,538	\$ 3,035	\$ 54	\$ (14,415)	\$ -	\$ (14,415)
Judicial	9,176	7,289	3,774	1	1,888	-	1,888
Public Safety	40,419	10,407	618	11	(29,383)	-	(29,383)
Physical Environment	2,416	920	710	-	(786)	-	(786)
Transportation	25,644	697	17,163	-	(7,784)	-	(7,784)
Economic Environment	5,986	910	1,438	-	(3,638)	-	(3,638)
Health and Human Services	17,059	2,636	11,417	-	(3,006)	-	(3,006)
Culture and Recreation	1,340	389	-	-	(951)	-	(951)
Interest on Long Term Debt	1,293	-	-	-	(1,293)	-	(1,293)
Total Governmental Activities	122,375	24,786	38,155	66	(59,368)	0	(59,368)
Business-Type Activities							
Solid Waste	8,048	8,587	320	-	-	860	860
Public Services Utilities	1,379	1,446	7	-	-	74	74
Building and Fire Safety	1,785	2,089	-	-	-	304	304
Total Business-Type Activities	11,212	12,122	327	0	0	1,237	1,237
Total Primary Government	\$ 133,587	\$ 36,908	\$ 38,482	\$ 66	\$ (59,368)	\$ 1,237	\$ (58,131)
General Revenues							
Taxes:							
Property					38,532	-	38,532
Sales					21,880	-	21,880
Private Harvest					47	-	47
Excise/ Leasehold					711	-	711
Gambling					177	-	177
Motel/Hotel					613	-	613
911					2,365	-	2,365
Grants and Contributions Not Restricted for Specific Programs					7,415	122	7,537
Interest and Investment Earnings					2,372	218	2,590
Gain on Sales of Capital Assets					234	483	717
Transfers					(179)	179	0
Total General Revenues and Transfers					74,166	1,002	75,168
Change in Net Position					14,797	2,239	17,037
Net Position of January 1					338,416	39,288	377,704
Prior Period Adjustment					-	288	288
Net Position of December 31					\$ 353,213	\$ 41,816	\$ 395,029

See accompanying notes to the financial statements

Balance Sheet
 Governmental Funds
 December 31, 2014

	General Fund	County Road	Aging & Long-Term Care	Support Invest In Economic Diversification
ASSETS				
Cash/Cash Equivalents	\$ 11,981,723	\$ 2,193,135	\$ 5,041,515	\$ 1,411,878
Investments	699	2,375,969	-	10,898,947
Taxes Receivable	1,047,277	489,246	-	-
Accounts Receivable Net	2,221,682	15,566	19,297	-
Assessments Receivable	114	6,219	-	-
Interest Receivable	20,253	3,072	2,106	7,335
Due From Other Funds	25,419	296,213	19,611	-
Due From Other Governmental Units	3,416,102	2,500,846	1,234,922	585,939
Long-Term Notes Receivable	-	-	-	5,360,684
Total Assets	\$ 18,713,269	\$ 7,880,266	\$ 6,317,451	\$ 18,264,783
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts/Vouchers Payable	\$ 474,175	\$ 349,789	\$ 274,819	\$ 9,831
Contracts Payable	11,174	33,942	-	-
Due To Other Funds	101,473	-	-	296,213
Due To Other Governmental Units	-	-	1,761,740	-
Accrued Wages Payable	3,081,367	860,448	678,389	-
Accrued Employee Benefits	232,052	84,813	77,729	-
Accrued Taxes	-	-	-	-
Custodial Accounts	-	23,575	-	-
Customer Deposits	-	1,200	-	-
Unearned Revenue	230,936	-	-	-
Note Payable	-	-	-	-
Total Liabilities	\$ 4,131,177	\$ 1,353,767	\$ 2,792,677	\$ 306,044
<u>Deferred Inflows of Resources</u>				
Unavailable revenue- taxes	2,139,577	481,797	-	325,326
Unavailable revenue-special assessments	1,591	-	-	-
Unavailable revenue-other fees	2,092,076	-	-	-
Total deferred inflows of resources	\$ 4,233,244	\$ 481,797	\$ -	\$ 325,326
<u>Fund Balance</u>				
Nonspendable	47,540	390	10,650	5,360,684
Restricted	250,362	6,044,312	-	12,272,729
Committed	925,931	-	-	-
Assigned	741,094	-	3,514,124	-
Unassigned	8,383,923	-	-	-
Total Fund Balance	\$ 10,348,848	\$ 6,044,702	\$ 3,524,774	\$ 17,633,413
Total liabilities, deferred inflows of resources and fund balances	\$ 18,713,269	\$ 7,880,266	\$ 6,317,451	\$ 18,264,783

See accompanying notes to the financial statements

Balance Sheet
 Governmental Funds
 December 31, 2014

	Department of Corrections	Community Services Program	District Court Probation	Other Governmental Funds	Total
ASSETS					
Cash/Cash Equivalents	\$ 177,072	\$ 1,139,001	\$ 214,719	\$ 7,199,184	\$ 29,358,227
Investments	2,800,164	2,367,100	-	16,325,304	34,768,183
Taxes Receivable	-	13,331	-	83,363	1,633,217
Accounts Receivable Net	-	-	13,546,673	267,564	16,070,782
Assessments Receivable	-	-	-	103,954	110,287
Interest Receivable	1,766	2,139	-	12,679	49,350
Due From Other Funds	99,347	7,133	-	1,636,577	2,084,300
Due From Other Governmental Units	1,438,745	612,554	-	2,504,547	12,293,655
Long-Term Notes Receivable	-	-	-	-	5,360,684
Total Assets	\$ 4,517,094	\$ 4,141,258	\$ 13,761,392	\$ 28,133,172	\$ 101,728,685
LIABILITIES AND FUND BALANCES					
<u>Liabilities</u>					
Accounts/Vouchers Payable	\$ 230,419	\$ 195,660	\$ 1,894	\$ 1,675,337	\$ 3,211,924
Contracts Payable	-	-	-	265,854	310,970
Due To Other Funds	-	2,351	-	1,646,649	2,046,686
Due To Other Governmental Units	-	384,760	-	364,060	2,510,560
Accrued Wages Payable	1,470,957	42,535	121,093	790,418	7,045,207
Accrued Employee Benefits	99,728	7,770	7,014	50,189	559,295
Accrued Taxes	-	-	-	508	508
Custodial Accounts	-	-	-	-	23,575
Customer Deposits	-	-	-	-	1,200
Unearned Revenue	-	-	-	785,622	1,016,558
Note Payable	-	-	-	250,000	250,000
Total Liabilities	\$ 1,801,104	\$ 633,076	\$ 130,001	\$ 5,828,637	\$ 16,976,483
<u>Deferred Inflows of Resources</u>					
Unavailable revenue- taxes	-	15,695	-	905,368	3,867,763
Unavailable revenue-special assessments	-	-	-	104,220	105,811
Unavailable revenue-other fees	-	-	13,538,848	-	15,630,924
Total deferred inflows of resources	\$ -	\$ 15,695	\$ 13,538,848	\$ 1,009,588	\$ 19,604,498
<u>Fund Balance</u>					
Nonspendable	-	-	175	3,000	5,422,439
Restricted	272,681	2,901,548	92,368	10,268,181	32,102,181
Committed	-	-	-	1,199,052	2,124,983
Assigned	2,443,309	590,939	-	9,824,714	17,114,180
Unassigned	-	-	-	-	8,383,923
Total Fund Balance	\$ 2,715,990	\$ 3,492,487	\$ 92,543	\$ 21,294,947	\$ 65,147,704
Total liabilities, deferred inflows of resources and fund balances	\$ 4,517,094	\$ 4,141,258	\$ 13,761,392	\$ 28,133,172	\$ 101,728,685

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

December 31, 2014

Total fund balances as shown on the Governmental Fund Balance Sheet:		65,147,704
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (This amount does not include internal service fund capital assets, which are included as a reconciling item in a note further down on this page.)	Cost	872,966,492
Life to date depreciation on capital assets is reflected in the statement of net position.	Less Accumulated Depreciation	<u>(592,168,061)</u>
		280,798,431
Other long-term assets are not available to pay for current-period expenditures and, therefore are in unearned revenues in the funds- property tax, sales & use tax, accounts receivable.		18,348,119
Internal Service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the Internal Service funds are included in governmental activities in the statement of net position.		38,109,000
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government wide statement of net position that the County owns.	Bonds Payable/ Notes	(36,075,000)
	Compensated Absences	(1,789,268)
	Advance Due to Other Governments	(5,472,406)
	Capital Lease	(59,164)
	Special Assessment Bonds	(48,500)
	Other Postemployment Benefits	<u>(4,011,861)</u>
		(47,456,199)
Bond premiums, are reported as other financial sources in the governmental fund financial statements but capitalized on the government-wide statement of net position.		(1,734,416)
Net position, as reflected on the Statement of Net Position		\$ 353,212,638

See accompanying notes to the financial statements

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 For the Year Ended December 31, 2014

	Major Funds		
	General Fund	County Roads	Aging and Long-Term Care
<i>Revenues</i>			
Property Taxes	\$ 26,014,689	\$ 10,607,619	\$ -
Sales and Use Taxes	12,204,057	-	-
Other Taxes	160,615	54,302	-
Licenses and Permits	372,072	35,168	-
Intergovernmental	7,682,826	14,974,704	9,868,097
Charges for Services	7,301,933	644,293	1,009,356
Fines and Forfeits	2,518,145	-	-
Interest Earnings	1,741,275	43,664	27,667
Special Assessments	1,305	6,000	-
Donations	2,669	-	141,304
Other Revenues	250,361	35,026	110,218
Total Revenues	<u>58,249,947</u>	<u>26,400,776</u>	<u>11,156,642</u>
<i>Expenditures</i>			
Current:			
General Governmental Services	\$ 15,637,875	\$ 221,282	\$ -
Judicial	7,265,734	-	-
Public Safety	13,846,153	-	-
Physical Environment	176,929	-	-
Transportation	-	11,253,146	-
Economic Environment	1,593,051	-	-
Health and Human Services	100,000	-	10,686,208
Culture and Recreation	350,027	-	-
Debt Service:			
Principal	-	891,227	-
Interest	-	54,059	-
Capital Outlay	314,456	12,094,513	5,370
Total Expenditures	<u>39,284,225</u>	<u>24,514,227</u>	<u>10,691,578</u>
Excess (Deficit) Revenues Over Expenditures	<u>18,965,722</u>	<u>1,886,549</u>	<u>465,064</u>
<i>Other Financing Sources (Uses)</i>			
Premium on Bonds	-	-	-
Transfers In	266,945	694,058	-
Transfers Out	(17,379,783)	(15,093)	-
Issuance of Long Term Debt	-	-	-
Capital Lease	(7,182)	-	-
Comp Loss on Capital Assets	52	-	-
Total Other Financing Source (Uses)	<u>(17,119,968)</u>	<u>678,965</u>	<u>0</u>
Net Change in Fund Balance	1,845,754	2,565,514	465,064
Fund Balances-Beginning	8,503,094	3,479,188	3,059,710
Fund Balances-Ending	<u>\$ 10,348,848</u>	<u>\$ 6,044,702</u>	<u>\$ 3,524,774</u>

See accompanying notes to the financial statements

Major Funds					
Support Invest In Economic Diversification	Department of Corrections	Community Services Program	District Court Probation	Other Governmental Funds	Total
\$ -	\$ -	\$ 326,657	\$ -	\$ 1,963,424	\$ 38,912,389
3,347,904	-	2,355,137	-	6,612,084	24,519,182
-	-	527	-	3,084,227	3,299,671
-	-	-	-	32,637	439,877
-	117,805	957,273	-	4,180,222	37,780,927
-	8,218,630	2,925	1,479,413	3,586,097	22,242,647
-	-	-	-	25,148	2,543,293
210,704	24,091	30,148	8,230	286,081	2,371,860
-	-	-	-	987,396	994,701
-	-	-	-	129,310	273,283
-	727,628	16	4,215	756,401	1,883,865
3,558,608	9,088,154	3,672,683	1,491,858	21,643,027	135,261,695
\$ -	\$ -	\$ -	\$ -	\$ 3,450,147	\$ 19,309,304
-	-	-	-	2,046,934	9,312,668
-	21,161,467	-	1,591,088	4,928,540	41,527,248
-	-	-	-	2,067,955	2,244,884
-	-	-	-	981	11,254,127
1,653,638	-	-	-	2,555,243	5,801,932
-	-	3,920,190	-	2,285,128	16,991,526
-	-	-	-	205,046	555,073
-	-	-	-	2,763,354	3,654,581
-	-	-	-	1,105,318	1,159,377
-	-	-	-	8,430,114	20,844,453
1,653,638	21,161,467	3,920,190	1,591,088	29,838,760	132,655,173
1,904,970	(12,073,313)	(247,507)	(99,230)	(8,195,733)	2,606,522
-	-	-	-	468,277	468,277
-	16,067,487	6,693	-	6,435,524	23,470,707
(694,058)	(2,728,995)	(148,905)	-	(2,668,007)	(23,634,841)
-	-	-	-	6,285,000	6,285,000
-	2,201	-	-	-	(4,981)
-	-	-	-	-	52
(694,058)	13,340,693	(142,212)	0	10,520,794	6,584,214
1,210,912	1,267,380	(389,719)	(99,230)	2,325,061	9,190,736
16,422,501	1,448,610	3,882,206	191,773	18,969,886	55,956,968
\$ 17,633,413	\$ 2,715,990	\$ 3,492,487	\$ 92,543	\$ 21,294,947	\$ 65,147,704

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2014
 presented in 1000's

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	\$	9,191
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	Depreciation Expense	(12,939)
	Capital Outlay	25,665
	Disposal & Deletions to Capital Assets	(4,091)
		8,635
Internal service fund expenses are allocated to other funds. The net expense is reported in the governmental activities Statement of Activities.		(217)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,243)
Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment includes long term liabilities in the statement of net assets on net assets. This entry is the net effect of these differences in the treatment of long-term debt issuance and payments.		3,655
The issuance of new debt is reported as an other financing sources on the governmental fund's operating statements but reported as a liability on the government -wide statement of net position.		(6,285)
Special Assessment revenues in the government wide statement of activities do not provide current financial resources and are not reported as revenues in the governmental fund operating statement.	Special Assessment Payments	967
Other postemployment expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(686)
Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(174)
Unearned Revenues in the government wide statements of activities do not provide current financial resources. Government-wide statements record revenues at the time they are earned.		1,956
Change in net position, as reflected on the Statement of Activities.		14,797

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Statement of Net Position

Proprietary Funds

December 31, 2014

					Governmental Activities
	Solid Waste	Public Services Utilities	Building and Fire Safety	Total	Internal Service Funds
ASSETS					
<u>Current Assets</u>					
Cash/Cash Equivalents	\$ 786,947	\$ 322,515	\$ 406,808	\$ 1,516,270	\$ 9,109,137
Investments	21,421,350	1,558,474	378,217	23,358,041	11,363,902
Accounts Receivable	451,164	176,674	29,091	656,929	86,414
Interest Receivable	13,666	1,154	481	15,301	9,983
Due From Other Funds	1,545	2,298	-	3,843	5,088
Due from Other Governmental Units	195,508	-	49,288	244,796	34,191
Inventories/Prepayments	-	-	-	-	1,897,144
Total Current Assets	22,870,180	2,061,115	863,885	25,795,180	22,505,859
<u>Noncurrent Assets</u>					
Capital Assets					
Land	5,844,731	97,528	-	5,942,259	452,306
Buildings	15,929,482	996,128	-	16,925,610	5,538,204
Improvements Other Than Buildings	6,354,236	14,040,506	-	20,394,742	779,859
Machinery and Equipment	989,899	31,606	25,276	1,046,781	28,342,197
Less Accumulated Depreciation	(7,237,753)	(6,432,927)	(25,276)	(13,695,956)	(17,474,626)
Construction In Progress	498,131	648,876	-	1,147,007	-
Total Noncurrent Assets	22,378,726	9,381,717	0	31,760,443	17,637,940
Total Assets	\$ 45,248,906	\$ 11,442,832	\$ 863,885	\$ 57,555,623	\$ 40,143,799
LIABILITIES AND NET POSITION					
<u>Current Liabilities</u>					
Accounts/Vouchers Payable	\$ 464,203	\$ 53,085	\$ 2,238	\$ 519,526	\$ 677,129
Contracts Payable	352,105	23,334	-	375,439	32,607
Due To Other Funds	-	-	-	-	46,545
Accrued Wages Payable	273,626	64,086	161,746	499,458	868,566
Accrued Employee Benefits	17,131	3,816	14,865	35,812	83,072
Accrued Taxes Payable	442	-	-	442	-
Current Portion of Compensated Absences	11,846	2,621	7,002	21,468	38,442
Current Portion of Closure Post Closure Care	34,248	-	-	34,248	-
Current Portion of Long Term Obligations	345,000	2,889	-	347,889	1,736
Total Current Liabilities	1,498,601	149,831	185,851	1,834,282	1,748,097
<u>Noncurrent Liabilities</u>					
Compensated Absences	86,871	19,217	51,346	157,435	281,911
Notes and Loans Payable	2,730,000	83,063	-	2,813,063	-
Other Liabilities	-	116,040	-	116,040	4,791
Landfill Closure and Postclosure Care	10,819,275	-	-	10,819,275	-
Total Noncurrent Liabilities	13,636,146	218,320	51,346	13,905,813	286,702
Total Liabilities	15,134,747	368,151	237,197	15,740,095	2,034,799
<u>Net Position</u>					
Net Investment in Capital Assets	19,303,726	9,295,765	-	28,599,491	17,631,413
Unrestricted	10,810,433	1,778,916	626,688	13,216,037	20,477,587
Total Net Position	\$ 30,114,159	\$ 11,074,681	\$ 626,688	\$ 41,815,528	\$ 38,109,000

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2014

	Business - Type Activities - Enterprise Funds				Governmental
	Solid Waste	Public Services Utilities	Building and Fire Safety	Total	Internal Services
<u>Operating Revenues</u>					
Charges for Services	\$ 8,578,119	\$ 1,445,545	\$ 1,403,475	\$ 11,427,139	\$ 34,736,784
Fines and Forfeits	-	-	1,037	1,037	-
Licenses and Permits	-	-	684,238	684,238	-
Other Operating Revenue	9,080	52	55	9,187	243,380
Total Operating Revenues	8,587,199	1,445,597	2,088,805	12,121,601	34,980,164
<u>Operating Expenses</u>					
Personal Services	2,501,247	584,875	1,290,580	4,376,702	7,319,043
Contractual Services	3,784,889	708,069	475,416	4,968,374	8,705,060
Other Supplies and Expenses	256,466	45,941	19,179	321,586	3,957,836
Depreciation	538,116	36,414	-	574,530	2,804,473
Landfill Closure Post Closure Costs	863,008	-	-	863,008	-
Payment to Claimants	-	-	-	-	13,027,002
Total Operating Expenses	7,943,726	1,375,299	1,785,175	11,104,200	35,813,414
Operating Income (Loss)	643,473	70,298	303,630	1,017,401	(833,250)
<u>Non-Operating Revenue (Expenses)</u>					
Intergovernmental	320,416	7,077	-	327,493	-
Interest Revenue	195,252	18,439	4,720	218,411	185,956
Interest Expense	(104,331)	(3,523)	-	(107,854)	(29,298)
Gain (Loss) on Disposition of Capital Asset	482,880	-	-	482,880	182,864
Total Non-Operating Revenue (Expenses)	894,217	21,993	4,720	920,930	339,522
Income (Loss) before Contributions and Transfers	1,537,690	92,291	308,350	1,938,331	(493,728)
Capital Contributions	-	122,039	-	122,039	291,659
Transfers In	-	220,000	-	220,000	882,591
Transfers Out	-	(40,911)	-	(40,911)	(897,545)
Change in Net Position	1,537,690	393,419	308,350	2,239,459	(217,023)
Net Position as of January 1	28,402,532	10,567,618	318,338	39,288,488	38,326,023
Prior Period Adjustment	173,937	113,644	-	287,581	-
Net Position as of December 31	\$ 30,114,159	\$ 11,074,681	\$ 626,688	\$ 41,815,528	\$ 38,109,000

See accompanying notes to the financial statements

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	Business - Type Activities - Enterprise Funds				Governmental
	Solid Waste	Public Services Utilities	Building and Fire Safety	Total	Internal Services
<u>Cash Flows From Operating Activities:</u>					
Receipts from Customers	\$ 8,575,244	\$ 1,413,264	\$ 2,021,147	\$ 12,009,655	\$ 779,919
Receipts from Interfund Services Provided	35,250	-	1,993	37,243	34,364,470
Payments to Employees	(2,483,843)	(579,980)	(1,307,052)	(4,370,875)	(7,276,610)
Payments to Suppliers	(1,049,149)	(527,394)	(53,320)	(1,629,863)	(24,433,114)
Payments for Interfund Services Used	(2,870,931)	(195,232)	(441,029)	(3,507,192)	(1,556,680)
Net cash provided (used) by operating activities	2,206,571	110,658	221,739	2,538,968	1,877,985
<u>Cash Flows From Noncapital Financing Activities:</u>					
Operating Grants Received	320,416	7,077	-	327,493	-
Miscellaneous Non Operating	-	-	-	-	-
Transfers from Other Funds	-	220,000	-	220,000	882,591
Transfers to Other Funds	-	(40,911)	-	(40,911)	(890,545)
Disbursement for loans	-	-	-	-	22,500
Payments of Interfund Loan Interest/ Principal	-	(430)	-	(430)	-
Net cash provided (used) by noncapital financing activities	320,416	185,736	0	506,152	14,546
<u>Cash Flows From Capital And Related Financing Activities</u>					
Purchases of capital assets	(2,225,047)	(562,126)	-	(2,787,173)	(4,552,959)
Proceeds from Sale of Capital Assets	482,880	-	-	482,880	749,399
Capital Contributions-Private	-	-	-	-	-
Principal Paid on Capital Debt	(340,000)	(6,887)	-	(346,887)	(592,543)
Interest Paid on Capital Debt	(104,331)	(3,093)	-	(107,424)	(29,298)
Transfer to Other Funds	-	-	-	-	(7,000)
Net cash provided (used) by capital and related financing activities	(2,186,498)	(572,106)	0	(2,758,604)	(4,432,401)
<u>Cash Flows From Investing Activities:</u>					
Interest Received	197,026	18,843	4,616	220,485	188,021
Proceeds from Loan Principal Received	-	-	-	-	1,092,544
Disbursements for Loans	-	-	-	0	(500,000)
Net Cash Provided by Investing Activities	197,026	18,843	4,616	220,485	780,565
Net Increase in Cash & Cash Equivalents	537,515	(256,869)	226,355	507,001	(1,759,305)
Balances as of January 1	21,670,782	2,137,858	558,670	24,367,310	22,232,345
Balances as of December 31	\$ 22,208,297	\$ 1,880,989	\$ 785,025	\$ 24,874,311	\$ 20,473,040

See accompanying notes to the financial statements

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	Business - Type Activities - Enterprise Funds				Governmental
	Solid Waste	Public Services Utilities	Building and Fire Safety	Total	Internal Services
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Operating Income/(Loss)	\$ 643,473	\$ 70,298	\$ 303,630	\$ 1,017,401	\$ (833,250)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>					
Depreciation Expense	538,116	36,414	-	574,530	2,804,473
Landfill Closure Postclosure Costs	863,008	-	-	863,008	-
<u>Changes in assets and liabilities:</u>					
Receivables, net	23,295	(32,333)	(65,665)	(74,703)	164,225
Inventories	-	-	-	-	181,126
Accrued Expenses	17,404	4,895	(16,472)	5,827	-
Accounts and Other Payables	121,275	31,384	246	152,905	(438,589)
Net Cash Provided by Operating Activities	\$ 2,206,571	\$ 110,658	\$ 221,739	\$ 2,538,968	\$ 1,877,985

Noncash Investing, Capital, and Financing Activities

Gain (Loss) on disposal of capital assets	\$ 482,880	\$ -	\$ -	\$ 482,880	\$ 182,864
Capital Contributions	-	122,039	-	122,039	291,659
Capital Leases	-	-	-	-	6,527

Cash Balances on the Statement of Cash Flows is Comprised of the Following:

	Business - Type Activities - Enterprise Funds				Governmental
	Solid Waste	Public Services Utilities	Building and Fire Safety	Total	Internal Services
Cash/Cash Equivalents, per Statement of Net Assets	\$ 786,947	\$ 322,515	\$ 406,808	\$ 1,516,270	\$ 9,109,137
Investments, per Statement of Net Assets	21,421,350	1,558,474	378,217	23,358,041	11,363,902
Balances as of December 31	\$ 22,208,297	\$ 1,880,989	\$ 785,025	\$ 24,874,311	\$ 20,473,040

See accompanying notes to the financial statements

YAKIMA COUNTY, WASHINGTON

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2014

(amounts presented in 1,000's)

	Investment Trust Funds	Agency Funds
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$ -	\$ 32,166
Individual Non-Pooled Investments	3,863	-
Receivables:		
Taxes Receivable	-	5,934
Accounts Receivable	-	20
Special Assessments Receivable	-	401
Due from Other Governments	-	6,704
Investments, at Fair Value:		
US treasury state and local government	176,399	-
Total Pooled Investments	\$ 176,399	0
Total Assets	\$ 180,262	\$ 45,225
DEFERRED OUTFLOWS of RESOURCES		
LIABILITIES		
Warrants Payable	-	23,391
Accounts/Vouchers Payable	-	220
Due to Other Governments	-	16,108
Accrued Liabilities	-	5,506
Total liabilities	\$ 0	\$ 45,225
DEFERRED INFLOWS of RESOURCES		
NET POSITION		
Held in Trust for Pool and Non-Pool participants	\$ 180,262	\$ 0

The notes to financial statements are an integral part of this statement.

YAKIMA COUNTY, WASHINGTON

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2014

(amounts presented in 1,000's)

	Investment Trust Funds
ADDITIONS	
Contributions	
Additons by Pool participants	\$ 244,674
Additons by Non-Pool participants	1,169
Total Contributions	<u>245,843</u>
Investment Earnings:	
Net (Decrease) in Fair Value of Investments Pooled	356
Net (Decrease) in Fair Value of Investments Non- Pooled	394
Interest	1,372
Total Investment Earnings	<u>2,122</u>
Less Investment Expense	<u>-</u>
Net Investment Earnings	<u>2,122</u>
Total Additions	<u>\$ 247,965</u>
DEDUCTIONS	
Payments in accordance with trust agreements	
Distributions to Pool participants	245,459
Distributions to Non-Pool participants	-
Administrative Expenses	81
Total Deductions	<u>245,540</u>
CHANGE in NET POSITION	2,425
Net Position-Beginning of the Year	<u>177,837</u>
Net Position-End of the Year	<u>\$ 180,262</u>

The notes to financial statements are an integral part of this statement.

YAKIMA COUNTY, WASHINGTON
Notes to the Financial Statements
For the Year Ended December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Yakima County have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The chart of accounts conforms to the Budgeting, Accounting, and Reporting Systems (BARS) prescribed by the office of the State Auditor, to promote uniformity among the cities and counties of Washington resulting in better comparability. The significant accounting policies are described below.

A. Reporting Entity

Yakima County, a first-class county, was incorporated on January 21, 1865, under the authority of the Revised Code of Washington 36.04.390. The County operates under a commissioner form of government and provides the following services to its constituents: police, road maintenance, solid waste management, planning and zoning, parks and recreation, judicial administration, health, social services, and general administrative services. As required by GAAP, the financial statements present Yakima County, the primary government.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. However, internal activity in the government-wide statement of activities for interfund services provided is not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Additionally, the County's accounting system automatically allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities.

Program revenue includes:

- Charges to customers for applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment.
- Grants and contributions restricted to meeting the operation or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are used to report additional and more detailed information about the primary government. Separate financial statements are provided for governmental funds, proprietary funds even though the latter are excluded from the government-wide financial statements. The fiduciary funds are omitted from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Fiduciary Funds are not presented in the government wide financial statements. Under the economic resources measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are presented using the flow of “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Revenues susceptible to accrual are earned interest, certain charges for services, and intergovernmental revenues, such as grants, where program expenditures are the prime factor for determining reimbursement. Other revenues such as sales based taxes, licenses, fines and fees are not considered susceptible for accrual since they are not generally measurable until received. Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, license and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Yakima County reports the following major governmental funds:

- The *General Fund* is the County’s primary operating fund. It is used to account for all activities of the general government that are not accounted for in another fund.
- The *County Road Fund* accounts for the design, construction, and maintenance of County roads. Revenue is from property taxes, and intergovernmental gas tax allocations. The County Road also receives grants from the Federal Highway Administration Board.
- The *Aging and Long-Term Care Fund* accounts for the administration and direct programs of State and Federal grants intended to provide assistance to the elderly.
- The *Support Investment in Economic Diversification Fund (SIED)* accounts for the .08% sales tax collected as a credit against the State of Washington’s sales tax to assist local government infrastructure and economic development.
- The *Department of Corrections* is responsible for the custody, security and management of pretrial and convicted persons. Revenue source is from jurisdictions that house prisoners at the County.
- The *Community Services* is responsible for the administrative functions of planning, program development, funding, and coordination of services in the areas of mental health, developmental disabilities, chemical dependency and prevention activities, and administers the Veteran’s Relief Fund, as provided in RCW 73.08. Revenue source is from Mental Health allocation from the Regional State Network and numerous state and federal grants.
- The *District Court Probation* provides District Court and Superior Courts with sentencing investigation, client supervision and community service placement for defendants with misdemeanor and gross misdemeanor cases. Revenue source is from fees generated by defendants in the program.

The County reports three major proprietary funds:

- The *Solid Waste Fund* accounts for the provision of solid waste and landfill services to the residents of the County.
- The *Public Services Utility Fund* accounts for the provision of water and sewer services to residents of unincorporated areas of the County.

- The *Building and Fire Safety Fund* accounts for the building and plumbing permits and fire life safety program to residents in the unincorporated areas of the County.

Additionally, the County reports the following fund types:

- *Internal Service Funds* account for equipment rental and fleet services, purchasing services, liability insurance, building maintenance, retirement benefits reserves, technology services support, and an in-house print shop provided to other departments or agencies of the government, or to other governments on a cost reimbursement basis.
 - *Debt Service Funds* account for resources set aside to meet current and future payment requirements on general long-term debt.
 - *Capital Project Funds* accounts for financial resources to be used for acquisition or construction of capital facilities or improvements. The separate accounting enhances an understanding of government's capital activities and avoids the distortions in financial trend analysis.
- Investment/Fiduciary Funds* account for external pooled and non-pooled investments held by the County Treasurer on behalf of external pool participants in the County's investment program. Pooled money is invested in a monitored account by the County and external participants are generally governmental entities that do not have their own treasurer, such as fire and school districts.
- *Agency Funds* are custodial in nature and do not present results of operations. These funds account for assets that the County holds in a fiduciary capacity for other entities including school districts, fire districts, irrigation districts, port districts, diking and drainage districts, health district, sewer districts, soil conservation and mosquito districts, Emergency Management, Conference of Governments, Clean Air Authority, court and jail trust funds, cities, and the State of Washington.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include a) charges to customers or applicants for goods, services or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally, dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the solid waste, sanitary sewer, clean water system and permit center are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of personal services, contractual services, other supplies and expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Cash Equivalents

Only small amounts of cash in checking accounts and imprest accounts such as postage are recorded as cash on the financial statements. All demand deposits are recorded as investments. In the preparation of the statement of cash flows, cash and cash equivalents include not only "cash on hand," but cash with fiscal agent and cash in demand deposits with a maturity of three months or less. All deposits are stated at cost.

It is the County's policy to invest all cash surpluses. As of December 31, 2014, the Treasurer was holding \$54,920,864 in investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is credited to the General Fund, except where prohibited by statute or bond covenant.

2. Deposits and Investments - See Note III.

3. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Interfund balances between governmental funds and proprietary funds have been eliminated and were not included in the government-wide statement of net position.

Taxes Receivable consists of property taxes and related interest and penalties accumulated the previous four years. All real property taxes are secured by liens on the corresponding property.

Accounts Receivable consists of amounts owed from private individuals for goods or services. The significant sources are time payments on the courts and probation assessments. All receivables have been recorded net of estimated uncollectible amounts. Uncollectible court-related receivables are provided by the Administrator of the Courts in Olympia for Superior and District Court. Historically Superior Court collections are less than 1% and District Court collections are 10% of total receivables.

The County Public Services Department bills for all services that are provided by December 31. Therefore, there are no unbilled services at year-end for Enterprise Funds.

Assessments are recorded when levied with Assessments Receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Interest Receivable consists of amounts earned on investments at the end of the year and fair value changes.

4. Inventories and Prepayments

Inventory in the Governmental Funds consists of expendable supplies held for consumption. The cost is recorded as expenditure when consumed rather than when items are purchased. All inventories are valued by the first-in first-out method.

Inventories in the Equipment Rental and Revolving Fund an Internal Service Fund are valued at average purchase price. Proprietary Funds are valued at cost. Inventories are valued by the first-in first-out method.

Prepayments made for services that will benefit future periods are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure assets are long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, drainage systems, water and sewer systems, and lighting systems.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the government fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value on the date received.

Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other repairs and normal maintenance are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of buildings, equipment, vehicles, and improvements is computed using the straight-line method. Estimated useful lives are the lesser of the projects' estimated lives or the following:

Buildings - 25 years	Autos, Light Trucks - 90,000 miles
Furniture & Equip - 10 years	Heavy Trucks - 6,000 to 14,000 hours
Information Systems & Intangibles- 7 years	Land Improvements - 10 to 15 Years
Data Handling Equip - 5 years	Fences - 10 Years
Infrastructure – 10 to 50 years	

Machinery and equipment purchased on capital leases are treated as capital assets, indicating a constructive or actual transfer of the benefits and risks of ownership to the County, and are valued at the lesser of the fair value of the leased property or the net present value of the minimum lease payments required by the contract.

6. Compensated Absences

The County has transitioned to a paid time off system (PTO) for combined sick and vacation time.

It is the County's policy to permit employees to accumulate earned but unused vacation, paid time off and sick leave benefits. All vacation pay and paid time off is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The non-current portion for governmental funds is not reported in the governmental fund statements and represents a reconciling item between the fund and government-wide presentations.

At termination of employment, employees receive a cash payment for all accumulated paid time off and unused vacation time. Sick leave is payable to employees with required length of service and retirement age 25% of remaining sick leave at current wages, to a maximum of 120 days upon retirement or death.

7. Long-Term Obligations (See Note III and IV) – General Obligation bonds and other long term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other County long-term debt is reported in the governmental column of the government-wide statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight line interest method. Bonds payable are reported net of the premium. Bond issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance cost is reported as debt service expenditures.

8. Accounting Change

There were no significant accounting changes implemented in 2014.

9. Fund Balance (See Note III)

GASB 54 statement objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The classifications are nonspendable, restricted, committed, assigned, and unassigned.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Scope of Budget

The annual budget for Yakima County is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting System (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for Governmental Funds lapse at year-end.

All governmental funds have legally adopted annual budgets except the CRID Guaranty Fund and the LID Guaranty Debt Service Funds.

2. Procedures for Adopting the Original Budget

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

- a. Prior to the first Tuesday in September, the elected officials and department managers submit to the Board of County Commissioners a proposed operating budget for the following calendar year. The operating budget includes proposed revenues and expenditures.
- b. The Commission conducts public hearings during November at the County courthouse to obtain taxpayer comments.
- c. The Commission makes adjustments to the proposed budget and adopts, by resolution, a final budget no later than December 31.
- d. The final budget is available to the public February 1.

3. Amending the Budget

The Budget Director is authorized to transfer budgeted amounts between object classes within departments or funds; however, the County Commissioners must approve any revisions that alter the total expenditures of a fund or department of the General Fund. Also, the Commissioners must approve any changes that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment.

After holding one public hearing, the Commissioners determine whether it is in the best interest of the County to increase or decrease the appropriation for a particular fund or department. Approval is made by a resolution adopted by a majority of the Board.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As required by state law, all deposits and investments of the County's funds (except as noted below) are obligations of the U.S. Government, bankers' acceptances or deposits with Washington State banks and savings and loan institutions. Investments of trust funds are not subject to the preceding limitations. The Clerk's Trust has passbook and market rate savings of \$560,024 as of December 31, 2014. These funds are fully insured and belong to the individuals who deposit their money with the court. Yakima County's responsibility is only custodial.

Deposits

The County maintains deposit relationships with several Washington State commercial banks and savings and loan institutions.

The Public Deposit Protection Commission of the State of Washington (PDPC) covers all deposits not covered by the Federal Depository Insurance Corporation (FDIC). The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool that insures public deposits. In such a pool, a group of financial institutions, holding public funds, pledge collateral to a common pool. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, by monitoring the financial condition of all public depositories, and by optimizing collateralization requirements. All deposits are held by the County's agent, in the name of the County.

Custodial credit risk – deposits. The custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, the County's deposits may not be recovered. The Primary Government is a participant of the Yakima County Treasurer's Investment Pool (TIP) and at year-end represented 23% of the total Pool's face investment valuation. The carrying amount of deposits for the Pool as of December 31, 2014, was \$35,000,000. The total bank balance for the Pool was \$35,000,000. No amount was exposed to custodial credit risk as uninsured or uncollateralized.

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Bank Deposits	\$20,000,000	\$20,000,000	\$ -
Certificate of Deposit	15,000,000	15,000,000	-
Total Deposits	\$35,000,000	\$35,000,000	\$ -

Foreign currency risk – deposits. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Yakima County does not participate in making deposits or investments that are exposed to this type of risk.

Investments

For investment purposes, the County pools the cash balances of County funds and allows for participation by other legally separate entities such as special districts and public agencies, for which the County is *ex officio* treasurer. Yakima County established the Treasurer's Investment Pool (TIP) effective April 1, 2005. The philosophy in developing the Pool was to create a locally managed diversified investment option that would take advantage of economies of scale, simplify administration and achieve a potentially higher yield than other available programs. The Yakima County Treasurer's Investment Pool, administered by the Yakima County Treasurer's Office, is an external investment pool. Participation in the Pool by County departments, districts and agencies is voluntary with an authorizing resolution by the participant submitted in writing to the County Treasurer. A 30-day written notice must be given to the County Treasurer to effectively withdraw from the Pool once participation has begun. No funds have chosen to withdraw since the Pool's inception.

Types of Investments. Through the office of the County Treasurer, Yakima County collects taxes, licenses, fees, and other revenues. It collects not only for the County but also for special purpose districts located within the County. In its custodial role, the Treasurer is empowered to deposit any public funds available for investment and to secure those funds by appropriate collateral. Cash is deposited and invested on behalf of the County and local districts as legally prescribed in the form of certificates of savings or time accounts, in designated qualified public depositories, or in municipal bonds of the State of Washington, or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or at any corporation wholly owned by the government of the United States; in bankers' acceptances purchased on the secondary market; in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures or guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board or governors of the Federal Reserve System; or deposit such funds or any portion thereof in investment deposits.

The County is authorized to enter into repurchase agreements. County investment policies require that securities underlying repurchase agreements must have a fair value of principal and accrued interest of at least 102 percent of the cost of the repurchase agreement. The fair value of the securities used as collateral shall be monitored daily by the Treasurer's staff and by a third-party custodian. Any deficiencies are to be corrected within one day or the repurchase agreement will be cancelled as defined in the repurchase agreement contract. The County did not purchase any of these securities during 2014.

The County voluntarily invests in the Washington State Treasurer's Local Government Investment Pool (LGIP). The amount is carried at cost, which approximates fair value. The fair value of Yakima County's position in the State Treasurer's Investment Pool is the same as the value of our pool shares. The LGIP is a 2a7-like pool that is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office. The LGIP also contracts for an annual outside independent audit. The State Treasurer's Office maintained a third-party custodial arrangement with Citibank N.A. during 2014, in order to provide a high level of safety. The LGIP also publishes monthly, quarterly and annual reports that allow participants to stay abreast of LGIP issues and activity.

External Investment Pool. The Yakima County Treasurer's Investment Pool is not registered with the SEC as an investment company. Oversight is provided by the Yakima County Finance Committee pursuant to RCW 36.29.020. The County Finance Committee consists of the County Treasurer as Chair, the County Auditor as Secretary and the Chair of the Board of County Commissioners. All investments are subject to written policies and procedures adopted by the Finance Committee. The investment policy has been certified by the Washington Municipal Treasurer's Association and is in compliance with state law. The committee meets not less than quarterly to review the investment portfolio and performance.

Pool participants manage their own cash and direct the County Treasurer by written request to deposit or withdraw monies from their funds for investment purposes. The collective pool earnings, net of administrative fees, are distributed monthly to participants based on their average pooled balances for the period.

Money from districts not participating in the Pool and who have not directed the County Treasurer by written request to place individual investments, as well as County departments that cannot invest their own money, is invested by the Treasurer as surplus cash. The interest on these investments is credited to the General Fund, except where prohibited by statute or bond covenant.

The Yakima County Treasurer's Investment Pool (TIP) records its investments at face value, which amounted to \$301,241,607 at December 31, 2014. Premiums and discounts are distributed in earnings on an amortized cost basis as described below. Management intends to hold all time deposits and securities until maturity. During 2014, the County did not realize any gains or losses from the sale of investments because management held all securities until maturity.

All securities are reported at fair value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Fair value pricing is provided monthly by the safekeeping custodian under contract with the County Treasurer and is based on quoted market prices as of the last day of the period. Changes in fair value are reflected as unrealized income in the financial statements. Other gains or losses on investments sold or exchanged are recognized at the time transactions are completed.

Fair value reports are prepared monthly and participants' shares of the Pool for the financial statements are calculated annually based on the participant's cash invested in the Pool on December 31, 2014, and the net asset value of each share in the Pool. Yakima County experienced a net decrease in the fair value of investments during 2014. The County has not provided or obtained any legally binding guarantees to support the value of the Investment Pool's holdings.

The participants' shares in the Pool are purchased and redeemed at face value. The aggregate value of all participants' investments equal the total face value of the Pool at all times. The distribution of earnings is based on an amortized cost method. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on: (1) realized investment gains and losses, if applicable, calculated on an amortized cost basis; (2) interest income on an accrual basis; and (3) the amortization of discounts and premiums on a straight-line basis. Income is then reduced by an administrative fee. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute the unrealized gains and losses in fair value to participants.

The following schedule shows the types of investments, the fair value, the average interest rates and the weighted average maturity in years of the Yakima County Treasurer's Investment Pool as of December 31, 2014. The Primary Government has a fair value balance in the investment pool of \$69,490,126. The change in fair value of the total investments for the reporting entity during 2014, after considering purchases, sales and maturities, resulted in an increase of \$967,170. Of this amount, the Primary Government's change in fair value was an increase of \$148,099. There were no losses incurred during the period as a result of default by counterparties to deposit or investment transactions.

Yakima County Treasurer's Investment Pool

Investment Type	Fair Value	Principal	Average Interest Rate	Weighted Average Maturity (Years)
Bank Deposits	20,000,000	20,000,000	0.24%	0.003
Certificates of Deposit	15,000,000	15,000,000	1.02%	0.700
Municipal Bonds and Notes	6,771,970	6,710,000	4.19%	5.411
U.S. Agencies	169,093,236	169,550,000	1.03%	2.514
U.S. Treasury Bonds and Notes	8,911,512	9,000,000	0.89%	2.348
State Treasurer's Investment Pool	80,981,607	80,981,607	0.13%	0.003
Totals for Portfolio	\$ 300,758,325	\$ 301,241,607	0.79%	1.642

Interest rate risk- Investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The policy also states that no single security will be purchased with a maturity date of more than five years from the date of purchase, except when compatible with specific needs and only by approval of the Finance Committee.

Credit risk - Investments. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County investment policy minimizes its credit risk by limiting investments to selected types of securities and pre-qualifying the financial institutions, broker/dealers and intermediaries with which the County will do business.

The credentials of these business partners are reviewed at least annually. Presented below is the minimum rating required by the state statute and the actual rating, as of December 31, 2014, for each type of investment in which the Primary Government participates.

Investment Type	Amount	Minimum Rating	Year End Rating
Agency Securities	\$ 169,550,000	AA+	AA+
U.S. Treasury Bonds & Notes	\$ 9,000,000	AAA	AAA
Municipal Bonds & Notes	\$ 6,710,000	N/R	N/R
Certificates of Deposit	\$ 15,000,000	N/R	N/R
Bank Deposits	\$ 20,000,000	N/R	N/R
Washington State LGIP	\$ 80,981,607	N/R	N/R

Concentration of credit risk – Investments. Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The County’s investment policy minimizes concentration risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The investment policy sets forth maximum concentration guidelines whereby agency securities (combined) may comprise up to 80% of the portfolio, 50% for certificates of deposit, 40% for repurchase agreements, 30% for savings or time accounts, 20% for bonds of the State or local governments in Washington, and 15% for bankers’ acceptances (A1 or P1) or bonds of other states. Treasury securities may comprise up to 100% of the portfolio, as well as participation in the Washington State Treasurer’s Local Government Investment Pool. Presented below are investments in any one issuer that represent 5% or more of securities in which the Primary Government participates.

Issuer	Investment Type	Amount	Percentage
Federal Farm Credit Bank	Agency Security	\$33,000,000	11%
Federal Home Loan Bank	Agency Security	\$54,000,000	18%
Federal Home Loan Mortgage Corp.	Agency Security	\$46,750,000	16%
Federal National Mortgage Assoc.	Agency Security	\$35,800,000	12%
Umpqua Bank	Bank Deposits	\$20,000,000	7%

Custodial credit risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. County policy dictates that all investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool are transacted on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the security. Securities are held in safekeeping in the County’s name by an institution (custodian) under contract with the County Treasurer.

Condensed statements for Yakima County’s Treasurer’s Investment Pool are presented below:

**Condensed Statement of Net Position
Year Ended December 31, 2014**

Assets	\$303,505,617
Less: Liabilities	(187,122)
Net position held in trust	\$303,318,495
Equity of internal pool participants	\$69,490,126
Equity of external pool participants	176,398,587
Equity of Treasurer’s Cash	54,920,864
External Individual non-pool participants	3,863,085
Less: Unamortized Premium/Discount	(1,354,167)
Total equity	\$303,318,495

Condensed Statement of Changes in Net Position
Year Ended December 31, 2014

Net position at January 1, 2014	\$291,011,593
Net change in investments	12,306,902
Net position at December 31, 2014	<u>\$303,318,495</u>

Individual Investment Accounts

The Yakima County Treasurer also purchases individual investments for other legally separate entities, such as special districts and agencies that are not participating in the Pool (non-pool) and that are not part of the Primary Government's financial reporting entity. In addition, purchases of individual investments may also be made for eligible Pool participants if certain specific criteria apply. Written request notices specifying fixed maturity dates and amounts must be submitted to the County Treasurer. Purchases are made under the same guidelines as Pool purchases and in accordance with the County's investment policy and governing statutes.

Investments purchased by External Individual non-pool participants are reported at fair value and amounted to \$3,863,085 as of December 31, 2014.

B. Property Taxes

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed following the close of each month.

Property taxes are levied and become an enforceable lien against properties on January 1. They may be paid in two installments—one half by April 30 and the second half by October 31. Interest is charged at the rate of 12% per annum, computed on a monthly basis from date of delinquency, until paid. A penalty of 3% of total delinquent tax is added on June 1 and an additional penalty of 8% is added December 1. On January 1, the assessed value of property is established for the next year's levy at 100% of fair value.

Property taxes are recorded as a receivable when levied, offset by unearned revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections that occur in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The County may levy up to \$1.80 per \$1,000 of assessed valuation for general governmental services, subject to three limitations:

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser rate of the implicit price deflator per year or 1%, excluding new construction.

- RCW Chapter 84.52 establishes a limitation on the levies for ports, public utilities, state schools, emergency medical services, counties, roads, cities and towns. All other regular levies are proportionately reduced if a composite rate of \$5.90 per thousand is exceeded.
- The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit. Exceptions include port districts and public utility districts.

The maximum amounts that may be levied and the actual 2013 and 2014 levies for the General Fund and the County Road fund were (per \$1,000 of assessed value):

	Maximum Levy	2014 Actual Levy	2013 Actual Levy
General Fund	\$ 1.80	\$ 1.70	\$ 1.76
County Road	\$ 2.25	\$ 1.78	\$ 1.70

C. Receivables

Receivables as of year-end for the County’s individual major funds, non-major, internal service and Fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

Amounts presented in 1,000's

Fund	Taxes	Accounts	Due From			Total
			Special Assessments	Other Governments	Interest	
General Fund	\$ 1,047	\$ 2,222	\$ 0	\$ 3,416	\$ 20	\$ 6,705
County Roads	489	16	6	2,501	3	3,015
Aging & Long-Term Care	-	19	-	1,235	2	1,256
SIED	-	-	-	586	7	593
Department of Corrections	-	-	-	1,439	2	1,441
Community Services Program	13	-	-	613	2	628
Dist Court Probation	-	13,547	-	-	-	13,547
NonMajor Governmental	83	268	104	2,505	13	2,973
Solid Waste	-	451	-	196	14	661
Public Services Utilities	-	177	-	-	1	178
Building and Fire Safety	-	29	-	49	-	78
Internal Services	-	86	-	34	10	130
Agency	5,934	20	401	6,704	-	13,059
Total Receivables	\$ 7,566	\$ 16,835	\$ 511	\$ 19,278	\$ 74	\$ 44,264

District Court Probation has the largest balance for receivables. The Court system bills customers for their probation balances for the term specified by the judge, usually 3 to 7 years. The amount listed is expected revenue over the future terms of probation. Bad debt expense was estimated based on the prior 10 year revenue stream. Additional quantifying data to age those receivables was not available because the courts improved and enhanced the billing systems. The receivables are also subject to a variety of influences, client behavior, the economy and the nature of nonexchange transactions. The County continues to pursue collections up to the statutory period of 10 years.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

Amounts presented in 1,000's

	Unavailable	Unearned	
Property Taxes Receivable (General Fund)	\$ 985	\$ -	
Property Taxes Receivable (Road Fund)	475	-	
Property Taxes Receivable (Other Governmental Funds)	98	-	
Sales Tax Receivable	1,748	-	
Other Taxes Receivable	643	-	
Revenue Received But Not Yet Due	-	3	
Special Assessments Receivable	112	-	
Revenue Earned But Not Available	15,541	455	
Grants Received Prior to Meeting All Eligibility Requirements	-	558	
Total Deferred/Unearned Revenue for Governmental Funds	\$ 19,602	\$ 1,016	\$ 20,618

D. Interfund Receivables, Payables and Transfers

Interfund loans receivable and payable are created as a result of a cash or property transfer resulting in a subsequent promise of repayment. These interfund transactions, as outstanding balances between funds involve the exchange of goods and services in a normal business relationship.

These outstanding balances between funds are reported as *due to/due from other funds* on the financial statements.

Due From Due To	General Fund	County Road	Aging & Long Term Care	Department of Corrections	Community Services Program	Other Special Revenues	Proprietary Funds	Internal Services	Total
General Fund	\$ -	\$ -	\$ -	\$ 99,347	\$ -	\$ -	\$ -	\$ 2,125	\$ 101,472
Comm Services	-	-	-	-	-	-	-	2,351	2,351
SIED	-	296,213	-	-	-	-	-	-	296,213
Other Special Rev	25,419	-	-	-	1,489	-	-	612	27,520
Capital Projects	-	-	-	-	-	13,500	-	-	13,500
Internal Services	-	-	19,611	-	5,644	17,448	3,843	-	46,546
Total	\$ 25,419	\$ 296,213	\$ 19,611	\$ 99,347	\$ 7,133	\$ 30,948	\$ 3,843	\$ 5,088	\$ 487,602

Interfund Loans

Amounts presented in 1,000's	Lending Fund	Begin Bal 1/1/2014	New Loans	Repayments	Ending Bal 12/31/2014
Technology Services	Equip Rent & Rev	592	-	592	-
General Capital Project	Technology Services	23	-	23	-
Parker Water	General Fund	23	-	23	-
Gala Estates Water	Terrace Heights Water Fund	2	-	1	1
Bittner Water System	Terrace Heights Water Fund	9	12	9	12
Total		\$ 649	\$ 12	\$ 648	\$ 13

Bittner Water is a new loan to cover cost of water quality corrective action for a period of not more than 20 years with interest at 2.4

Interfund transfers represent subsidies and contributions provided to funds and capital project funds with no corresponding debt or promise to repay. The purpose of the general fund transfers is to subsidize capital project activities and debt service. Transfers out in non-major governmental funds generally represent debt service and capital project funding. Interfund transfers occurring between individual major funds, non-major governmental, non-major enterprise, and internal service funds of the County during the year ended December 31, 2014, are as follows:

Amounts presented in 1,000's Transfer Out	Transfer In		NonMajor							Total
	General Fund	Dept of Corrections	Community Services	Special Revenue	County Road	Debt Service	Capital Projects	Proprietary Funds	Internal Services	
General Fund	\$ 5	\$ 15,965	\$ 7	\$ -	\$ -	\$ 47	\$ 344	\$ 170	\$ 842	\$ 17,380
Department of Corrections	-	-	-	-	-	2,729	-	-	-	2,729
Community Services	47	102	-	-	-	-	-	-	-	149
NonMajor Special Revenue	43	-	-	34	-	554	-	-	-	631
County Roads	-	-	-	-	-	15	-	-	-	15
Support Invest in Economic Diversification	-	-	-	-	694	-	-	-	-	694
Capital Projects	-	-	-	-	-	322	1,624	50	41	2,037
Proprietary Funds	-	-	-	-	-	-	41	-	-	41
Internal Services	172	-	-	-	-	176	550	-	-	898
Total	\$ 267	\$ 16,067	\$ 7	\$ 34	\$ 694	\$3,843	\$ 2,559	\$ 220	\$ 883	\$ 24,574

The general fund transfers \$1.07 million a month to the Department of Corrections for the custody of local County inmates; Department of Corrections receives other revenues from outside jurisdictions on a contract basis. The General Fund also transfers an annual amount of \$750,000 to the LEOFF 1 fund to pay for health benefits on designated retirees. LEOFF 1 benefits are explained in Note VI.

E. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities & Internal Service				
Capital assets, not being depreciated				
Land	\$ 82,430,497	\$ -	\$ -	\$ 82,430,497
Construction in progress	18,797,230	19,994,147	6,061,940	32,729,437
Total capital assets, not being depreciated	\$ 101,227,727	\$ 19,994,147	\$ 6,061,940	\$ 115,159,934
Capital assets, being depreciated:				
Buildings	\$ 78,269,919	\$ -	\$ 77,212	\$ 78,192,707
Improvements	15,237,815	375,402	-	15,613,217
Machinery and equipment	30,096,154	4,977,213	2,672,650	32,400,717
Infrastructure	662,592,294	5,544,734	1,424,545	666,712,483
Total capital assets being depreciated	\$ 786,196,182	\$ 10,897,349	\$ 4,174,407	\$ 792,919,124
Less accumulated depreciation for:				
Buildings	\$ 39,047,974	\$ 2,754,105	\$ 119,128	\$ 41,682,951
Improvements	7,070,894	683,509	-	7,754,403
Machinery and equipment	17,217,617	2,834,699	2,007,602	18,044,714
Infrastructure	535,766,856	9,470,939	3,077,176	542,160,619
Total accumulated depreciation	\$ 599,103,341	\$ 15,743,252	\$ 5,203,906	\$ 609,642,687
Total capital assets, being depreciated, net	187,092,841	(4,845,903)	(1,029,499)	183,276,437
Governmental activities capital assets, net	\$ 288,320,568	\$ 15,148,244	\$ 5,032,441	\$ 298,436,371

Depreciation expense was charged to functions as follows:

General Governmental Services	\$ 151,395
Security of Persons and Property	2,454,794
Physical Environment	21,489
Transportation	9,481,963
Economic Environment	20,491
Mental and Physical Health	23,352
Culture and Recreation	785,295
	<u>\$ 12,938,779</u>

In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based upon their usage of the assets.

	<u>\$ 2,804,473</u>
Total governmental activities depreciation expense.	<u>\$ 15,743,252</u>

Capital Assets Business

	Beginning Balance	Increases	Decreases	Ending Balance
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Business Type Activities

Capital assets, not being depreciated

Land	\$ 3,801,209	\$ 2,141,050	\$ -	\$ 5,942,259
Construction in progress	6,994,212	2,667,874	8,515,078	1,147,008
Total capital assets, not being	10,795,421	4,808,924	8,515,078	7,089,267

Capital assets, being depreciated:

Buildings	\$ 10,545,082	\$ 6,380,528	\$ -	\$ 16,925,610
Improvements	20,272,703	122,040	-	20,394,743
Machinery and equipment	774,371	286,735	14,325	1,046,781
Total capital assets being depreciated	\$ 31,592,156	\$ 6,789,303	\$ 14,325	\$ 38,367,134

Less accumulated depreciation for:

Buildings	\$ 4,121,343	\$ 426,318	\$ 4,399	\$ 4,543,262
Improvements	8,612,801	85,552	119,698	8,578,655
Machinery and equipment	515,251	73,113	14,326	574,038
Total accumulated depreciation	\$ 13,249,395	\$ 584,983	\$ 138,423	\$ 13,695,955

Total capital assets, being depreciated, net	18,342,761	6,204,320	(124,098)	24,671,179
Business Type activities capital assets, net	\$ 29,138,182	\$ 11,013,244	\$ 8,390,980	\$ 31,760,446

Depreciation expense was charged to functions as follows:

Solid Waste	\$ 538,116
Public Services Utilities	46,867
Building and Fire Safety	
Total Business Type activities depreciation expense.	\$ 584,983

Net Investment in Capital Assets

	Government Funds	Proprietary Funds
Capital Assets		
Land & Construction in Progress	\$115,159,934	\$ 7,089,267
Other Capital Assets, Net of Depreciation	183,276,437	24,671,179
Sub Total	<u>\$298,436,371</u>	<u>\$31,760,446</u>
Less Debt		
Bond Debt	\$ (36,075,000)	\$ (3,075,000)
Intergovernmental	(5,472,406)	(85,951)
Lease	(65,691)	-
Assessment	(48,500)	-
Less Premiums	(1,734,416)	-
Plus Cash from Refunding	3,499,617	-
Plus Non Capital Debt	3,129,157	-
Net Investment in Capital Assets	<u>\$261,669,132</u>	<u>\$28,599,496</u>

F. Fund Balance

The GASB 54 statement requires disclosure regarding the fund balance classification policies and procedures. The Commissioners classified a Fund Balance Policy and adoption of the GASB 54 fund types in December 2011, by resolution. The County policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the year.

- a. For nonspendable fund balance: Fund balances that are not in spendable form such as inventory, prepaids, long term receivables, property held for resale, and imprest accounts.
- b. For restricted fund balance: Fund balances are restricted according to RCWs to help support the government's programs.
- c. For committed fund balance: The Board of County Commissioners are the highest level of decision-making authority. A formal resolution is required to establish, modify, or rescind a fund balance commitment.
- d. For assigned fund balance: The Board of County Commissioners have by resolution, authorized the budget director to assign amounts to a specific purpose.
- e. For unassigned fund balance: Unrestricted amounts that are available for any purpose are reported in the General Fund unless there is a negative fund balance.

Major Fund Balances:

- General Fund: \$47,540 in nonspendable fund balance from imprest accounts. \$250,362 in restricted fund balance from the courts. \$925,931 in committed fund balance from resolutions by the Board of County Commissioners for technology replacement and elections. \$741,094 in assigned fund balance from specific purposes by the budget director for contingency. \$8,383,923 in unassigned fund balance available for general purposes. The General Fund total balance is \$10,348,848.
- County Road: \$390 in nonspendable imprest accounts. \$6,044,312 in restricted fund balance from taxes and road work. County Road total fund balance is \$6,044,702.

- Aging & Long-Term Care: \$10,650 in nonspendable fund balance from prepaid items and imprest accounts. \$3,514,124 in assigned fund balance from residual overhead from grant programs. Aging & Long-Term Care total fund balance is \$3,524,774.
- Support Invest In Economic Diversification: \$5,360,684 in nonspendable fund balance from long term notes receivable. \$12,272,729 in restricted fund balance from Sales and Use Tax. SIED total fund balance is \$17,633,413.
- Department of Corrections: \$272,681 restricted fund balance profit and holdings from Jail Inmates. \$2,443,309 assigned fund balance is from the budget director assigning it to a specific purpose. Department of Corrections total fund balance is \$2,715,990.
- Community Services Program: \$2,901,548 restricted fund balance is from a tax levy for community services. \$590,939 assigned fund balance from residual overhead from grant programs. Community Services Program total fund balance is \$3,492,487.
- District Court Probation \$175 in nonspendable imprest accounts. \$92,368 restricted fund from charges for services to defendants. Total fund balance is \$92,543.
- Other governmental funds: \$3,000 nonspendable fund balance from imprest accounts. \$10,268,181 restricted fund balance from taxes and state fees. \$1,199,052 committed fund balance from resolutions by the Board of County Commissioners. \$9,824,714 assigned fund balance for specific amounts that are assigned by the budget director. Other governmental funds total fund balance is \$21,294,947.

The Parks fund ended the year 2014 with a fund balance of \$6,421. The fund was combined into the General Fund for presentation; the fund does not have a special revenue stream to support operations and relies on the General Fund for financial support.

IV. DEBT

Revenue bonds and other long-term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other long-term indebtedness of the County is reported in the governmental column of the government-wide statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the year incurred.

State law provides that debt cannot be incurred in excess of the following percentages of the value of the taxable property of the County:

1.5% - Without a vote of the people

2.5% - With a vote of the people

5.0% - With a vote of the people, provided the indebtedness not in excess of 2.5% is for utilities, parks, or open space development.

As of December 31, 2014, the debt limits for the County were as follows:

Assessed Value	\$15,024,702,587			
		Without a Vote	With a Vote 2.50%	5.00%
Legal Limit	\$	225,370,539	\$ 375,617,565	\$ 751,235,129
Net Outstanding Indebtedness		35,034,312	35,082,812	35,082,812
Margin Available	\$	190,336,227	\$ 340,534,753	\$ 716,152,317

A. Advance Due to Other Governments

Description	Amount Outstanding
The Flood Control Zone District was the recipient of a new Department of Community Development loan with proceeds as of December 31, 2014, totaling \$323,328. The proceeds of this loan were used to improve roadway access on SR410 due to a landslide in 2009. Draws on the loan were received as follows: \$150,000 in 2010 and the final draw for \$173,328 in 2011. Principal payments made by the Flood Control Fund totaling \$17,017 and interest payments of \$8,679 were made in 2014.	\$ 272,277
In 2004, Yakima County received loan proceeds of \$110,000 from the United States Department of Agriculture for the repair and replacement of the Crewport Water System. Repayment will be made from customer service fees out of the Public Services Utilities Fund. Principal payments of \$2,889 and interest payments of \$3,093 were made in 2014.	\$ 85,951
The County Road Fund was the recipient of a Department of Community Development loan with proceeds as of December 31, 2014, totaling \$3,000,000. The proceeds of this loan were used to improve surface conditions of county roads. Draws on the loan were received as follows: \$150,000 in 2009, \$2,400,000 in 2002 and \$450,000 in 2001. Principal payments by the County Road Fund totaling \$161,538 and interest payments of \$6,462 were made in 2014.	\$ 1,130,771
The County Road Fund was the recipient of two Department of Community Development loans with proceeds as of December 31, 2014 totaling \$9,000,000. The proceeds of these loans were used for improvements to gravel roads throughout Yakima County. Draws on the loans were received as follows: \$700,000 in 2007; \$200,000 in 2004; \$7,800,000 in 2000; and \$300,000 in 1999. Principal payments by the County Road Fund totaling \$488,816 and interest payments of \$33,145 were made in 2014.	\$ 2,825,657
The County Road Fund was the recipient of a Department of Community Development loan with proceeds as of December 31, 2014 totaling \$4,548,374. The proceeds of this loan were used for bridge and culvert replacement. Draws on the loan were received as follows: \$48,374 in 2007 and \$4,500,000 in 1999. Principal payments by the County Road Fund totaling \$240,873 and interest payments of \$14,452 were made in 2014.	\$ 1,204,367
The County Road Fund was the recipient of two Department of Community Development loans with proceeds as of December 31, 2014 totaling \$2,220,963. The proceeds of these loans were used to implement the Terrace Heights Water system. Draws on the loans were received as follows: \$72,800 in 2000; \$142,963 in 1996; \$655,200 in 1995; and \$1,350,000 in 1994. Repayment will be made from customer service fees and the Real Estate Excise Tax Capital Project Fund. Principal payments of \$39,338 and interest payments of \$1,573 were made in 2014.	\$ 39,334

Total Advance Due to Other Governments

\$5,558,357

The annual debt service requirements to maturity for Advance Due to Other Governments are as follows:

Inter-Gov		
Year Ending	Principal	Interest
31-Dec		
2015	\$ 950,776	\$ 57,798
2016	911,442	48,292
2017	911,549	39,570
2018	911,659	30,845
2019	911,774	22,115
2020-2024	809,240	39,626
2025-2029	108,077	17,129
2030-2034	43,840	3,302
	<u>\$ 5,558,357</u>	<u>\$ 258,677</u>

B. Special Assessment Bonds

Debt service requirements for special assessment bonds will be met by the collection of assessments receivable that have been levied against property owners. There was no delinquent assessment debt including penalties and interest as of December 31, 2014. Yakima County has established a CRID Guaranty fund and an LID Guaranty fund whereby the County will cover expenses if the property owners do not pay the assessments necessary to finance the debt. Total reserves including cash and investment at fair value in the CRID Guaranty fund and the LID Guaranty fund as of December 31, 2014 were \$128,891 and \$27,255 respectively. The County will recover all funds spent in this manner, as the assessments are liens against the property and subject to foreclosure.

Description	Amount Outstanding
\$125,000 CLID #2008-1 Special Assessment Bonds due in 2020, interest at 3.85%, payable annually. These bonds are serviced by CLID #2008-1 Debt Service Fund from special assessments levied. Principal payments of \$13,000 were made in 2014.	\$43,000
\$153,788 RID #99 Special Assessment Bonds due in 2015, interest at 4.35%, payable annually. These \$9,000 were made in 2014.	5,500
Total Special Assessment Bonds	<u>\$ 48,500</u>

The amount of bonds to be retired each year can only be estimated. The bonds may be called earlier or later than the year shown depending on the actual timing of receipt of special assessment payments. At the option of the property owner, assessment payments may be settled at any time by paying the remaining assessment balance, with interest thereon to the next installment due date.

The estimated annual debt service requirements to maturity for Special Assessment Bonds are as follows:

Year Ending 31-Dec	Principal	Interest
2015	\$ 15,500	\$ 1,900
2016	11,000	1,270
2017	11,000	847
2018	11,000	424
	\$ 48,500	\$ 4,441

C. General Obligation Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the government. These bonds are subject to Federal arbitrage regulations. General obligation bonds currently outstanding are as follows:

Description	Amount Outstanding
<p>In October 2014, Yakima County issued \$6,285,000 of Limited Tax General Obligation Bonds. The County allocated \$4,220,000 for capital improvements to the County Resource Center to support 911, City of Yakima Dispatch Center and EMS. An additional \$2,065,000 was allocated to County Road for repair of Arterial and Access Road Bridges. Interest rates range from 2.0% in 2015 to 4.0% in 2024 and back to 3.5% at maturity in 2034. Principal is paid annually on December 1 with interest payments made semi-annually on June 1 and December 1 beginning in 2015.</p>	<p>\$ 6,285,000</p>
<p>In September 2010, Yakima County issued \$30,000,000 of Limited Tax General Obligation and Refunding Bonds. The County allocated \$1,990,000 for capital improvements to the County Courthouse \$7,075,000 for capital improvements to the Department of Corrections’ main jail and \$485,000 for information system upgrades. In addition, \$20,450,000 was used for a partial advance refunding of the \$25,135,000 outstanding 2002 Limited Tax General Obligation Bonds. The refunding bonds were allocated as follows: \$3,815,000 to Terrace Heights Landfill Transfer Station; \$15,120,000 to new jail facility; \$235,000 to Sheriff Precinct Building; and \$1,280,000 to County Capital Improvements. Interest rates range from 2.0% in 2010 to 4.0% in 2030. Principal is paid annually on December 1 with interest payments made semi-annually on June 1 and December 1 through 2030. Principal payment of \$2,315,000 and interest payments of \$900,075 were made in 2014.</p>	<p>\$ 25,695,000</p>
<p>Also in September 2010, Yakima County was authorized to issue “Taxable Qualified Energy Conservation Bonds,” pursuant to Section 54D of the Internal Revenue Code of 1986, for the purpose of financing certain qualified energy conservation projects and to elect to receive a subsidy payment from the federal government equal to 70 percent of the amount of each interest payment on such taxable bonds (the “Federal Credit Payment”). Beginning 2013 and possibly through 2023, the federal government has implemented the sequestration of direct pay municipal bond subsidies. The current sequestration level amounts to a 7.3% reduction of the federal subsidy. The 2010B Bonds are being issued as Taxable Qualified Energy Conservation Bonds. The available subsidy for the 2010B Bonds will be paid to the County; no holders of the 2010B Bonds will be entitled to a tax credit. The bond interest rate is 5.00%. The principal payment is due at maturity, June 1, 2027, with interest payments paid semi-annually on June 1 and December 1. Interest payment of \$121,500 was made in 2014.</p>	<p>\$ 2,430,000</p>

Yakima County issued \$7,850,000 of Limited Tax General Obligation Refunding Bonds in October 2009. A portion of the bond issue was used to refund \$2,775,000 of general obligation bonds issued in 1999 to construct the Restitution Center for low risk inmates. The County allocated \$5,006,650 to various capital projects for public improvements of tourist promotions facilities. Interest rates range from 2.0% in 2010 to 3.2% in 2020. Principal is paid annually on December 1 with interest payments made semi-annually on June 1 and December 1 through 2020. Principal payment of \$700,000 and an interest payment of \$160,430 were made in 2014. \$ 4,580,000

In 2008, Yakima County received loan proceeds of \$210,000 from the Washington State Treasurer's LOCAL program for the acquisition & remodel of the Noxious Weed building. Principal payments being paid annually on December 1. Interest payments are paid semi-annually on June 1 and December 1 with a fixed rate at 4.465%. Principal payment of \$10,000 and an interest payment of \$6,773 were made in 2014. \$ 160,000

Total General Obligation Bonds \$39,150,000

The annual debt service requirements to maturity for General Obligation Bonds are as follows:

General Obligation Debt		
Year Ending	Principal	Interest
<u>31-Dec</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,315,000	\$ 1,351,658
2016	3,420,000	1,255,331
2017	3,545,000	1,128,571
2018	3,690,000	997,149
2019	3,815,000	883,861
2020-2024	11,460,000	2,862,948
2025-2029	7,155,000	1,336,862
2030-2034	2,750,000	237,050
	<u>39,150,000</u>	<u>10,053,430</u>

D. Short Term General Obligation Note

On December 1, 2014, Yakima County Treasurer issued a \$250,000 Limited Tax General Obligation Note. This Note was used for capital improvements to the Naches Rail to Trail Project. The Interest rate is 2.44% per annum. Full repayment of principal and interest will be made on or before June 1st 2015 in the amount of \$253,050.

E. Capital Leases

In 2013 the Department of Corrections entered into a sixty month lease agreement for copy equipment in the amount of \$41,560. **Amount Outstanding**
\$ 35,253

In 2014 the Department of Corrections entered into a second sixty month lease agreement with Copy equipment totaling \$2,201. They made lease payments totaling \$6,836 in 2014. \$ 25,502

In 2013 the Sheriff entered into two sixty month lease agreements for copy equipment in the amount of \$33,283. The total lease payments in 2014 were \$7,182.

In 2014 the Printing Department entered into two sixty month lease agreements for copy equipment in the amount of \$6,527. The total lease payments in 2014 was \$1,591. \$ 4,936

Total Leases Equipment \$ 65,691

The future minimum lease payments are:

Lease Payments	
Lease Payments	
Year Ending	
31-Dec	Payments
2015	16,048
2016	16,048
2017	16,048
2018	13,776
2019	3,771
	<u>\$65,691</u>

F. Changes in Long-Term

The following is a summary of the long-term debt transactions of Yakima County for the year ended December 31, 2014:

	Beginning Balance	New Issue	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 32,475,000	\$ 6,285,000	\$ 2,685,000	\$ 36,075,000	\$ 2,970,000
Special Assessment Bonds	70,500	-	22,000	48,500	15,500
Unearned Amounts:					
For Premiums	1,352,061	468,277	85,922	1,734,416	85,922
Total Bonds Payable	\$33,897,561	\$6,753,277	\$ 2,792,922	\$ 37,857,916	\$ 3,071,422
Advances Due to Other Governments	6,419,990	-	947,584	5,472,406	947,579
Capital Lease Obligations	72,572	8,728	15,609	65,691	16,048
Compensated Absences	2,241,466	67,263	199,108	2,109,621	253,155
OPEB Benefit for LEOFF	3,326,069	685,792	-	4,011,861	-
Long Term Liabilities	\$ 45,957,658	\$ 7,515,060	\$ 3,955,223	\$ 49,517,495	\$ 4,288,204
Business-Type Activities					
General Obligation Bonds	\$ 3,415,000	\$ -	\$ 340,000	\$ 3,075,000	\$ 345,000
Total Bonds Payable	\$ 3,415,000	\$0	\$ 340,000	\$ 3,075,000	\$ 345,000
Advances Due to Other Governments	88,840		2,889	85,951	3,197
Compensated Absences	174,102	90,546	85,745	178,903	21,468
Landfill Closure/Postclosure	9,990,516	863,007		10,853,523	34,248
Long Term Liabilities	\$ 13,668,458	\$ 953,553	\$ 428,634	\$ 14,193,377	\$ 403,913

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$ 320,353 of internal service funds are included in compensated absences. Within the capital lease obligations \$4,936 is from the internal service funds. For governmental activities, the General Fund or the applicable Special Revenue fund generally liquidates those balances.

The OPEB plan obligation is based on a long-term perspective. The Obligation is based on actuarial valuations and estimated health care costs, inflation and life expectancy. The assumptions are calculated on probability and these estimates are subject to continual revision compared to past expectations and new estimates made about the future.

Claims and judgments payable are liquidated by the Liability Insurance fund. In the previous table, additions and reductions have been estimated for compensated absences due to the time and effort needed to determine these balances.

V. PENSION PLANS

Substantially all County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), 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, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

A. Public Employees' Retirement System (PERS & JBM) Plans 1, 2 and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by August 31, 2002 for local government employees are Plan 2 members, unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 account for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least five years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and on-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of temporary life annuity. The benefit amount is \$350 a month or two-thirds of the monthly AFC whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index) capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit and a cost of living allowance is granted (based on Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 members, who have at least 20 years of service credit, are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired before May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65 and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier

From January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Non-vested	101,191
Total	368,272

Funding Policy

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by legislative statute at 6 percent for local government unit employees. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	9.21%	9.21%	9.21% **
Employee	6.00%	4.92%	***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

**Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	9.21%	9.21%	9.21% **
Employee	12.26%	12.30%	7.50% ***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

**Plan 3 defined benefit portion only.

***Minimum rate

Both County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2014	\$ 173,036	\$ 2,910,373	\$ 939,441
2013	\$ 191,500	\$ 2,553,121	\$ 816,264
2012	\$ 174,469	\$ 2,245,522	\$ 698,619

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the State pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
Total	29,640

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriated 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. For DRS’ fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll as of December 31, 2014, are as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.18%	5.23%
Employee	0.00%	8.41%

* The employer rates include the employer administrative expense fee currently set at 0.18%.

Both County and the employees made the required contributions.

The County’s required contributions for the years ended December 31 were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2014	\$ 168	\$ 222,125
2013	\$ 143	\$ 213,373
2012	\$ 172	\$ 222,002

C. Public Safety Employees’ Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the election period of July 1, 2006 to September 30, 2006; and
- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Tacoma and Spokane and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2014, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan as of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	119
Active Plan Members Vested	4,513
Terminated Plan Members Nonvested	1,383
Total	6,058

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2014, are as follows:

	<u>PSERS Plan 2</u>
Employer*	10.54%
Employee	6.36%

* The employer rate includes the employer administrative expense fee currently set at 0.18%.

Both the County and the employees made the required contributions. The County’s required contributions for the year ended December 31 were as follows:

	<u>PSERS Plan 2</u>
2014	\$ 497,472
2013	\$ 335,976
2012	\$ 352,595

D. OTHER POST Employment Benefit (OPEB) Plans

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26. Yakima County provides direct cost funding for benefits (other than pensions) promised to the Law Enforcement Officers Fire Fighters Plan 1(LEOFF1). This is a single employer benefit plan. The benefit provides medical and long term care expense not payable by worker’s compensation, social security, insurance provided by another employer or other pension plan. There are currently 40 enrolled members. The benefits are 100 percent provided by the County in order to meet State Statutory requirements under the LEOFF 1 system, where by the County pays their medical and dental premiums and out of pocket medical costs for life.

Funding Policy

The County has the authority to establish and amend contribution requirements. The fund detail is in the internal service funds under LEOFF Benefit. For the fiscal year ended December 31, 2014, the County’s combined plan contribution was \$750,000 from the General Fund. Detail for the LEOFF Benefit fund can be found in the internal service funds.

The required plan contribution is based on the projected pay-as-you-go financing requirements. The amortization method is open and is calculated using the mean estimated life of all 40 members. Financial reporting for the LEOFF retiree healthcare plan is included in the County’s Comprehensive Annual Financial Report under the internal service funds. The calculations are based on the OPEB benefits provided under the terms the LEOFF 1 system and each the valuation as of December 31, 2014.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit cost is calculated based on the annual required contribution (ARC) of the employer, an amount determined in accordance within the parameters of GASB 45 using the alternative method. The ARC is the amount that would need to be contributed to "fully fund" the liability.

The following are the components of the County's annual OPEB cost and the amount actually contributed to the plan. This actuarial valuation represents the best estimate as of December 31, 2014.

Annual Required Contribution (ARC)	\$ 1,394,038
Interest On Net OPEB Obligation	133,043
Amortization	(299,150)
Total Annual OPEB Cost	<u>\$ 1,227,931</u>
Contributions Made	<u>(542,139)</u>
Increase In The Net OPEB Obligation	<u>\$ 685,792</u>
Net OPEB Obligation beginning of year 2014	3,326,069
plus Increase in Net OPEB Obligation	685,792
Net OPEB Obligation end of year 2014 (NOO)	<u>\$ 4,011,861</u>

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

<u>Year ended</u>	<u>Annual Cost</u>	<u>Contribution</u>	<u>Net OPEB Obligation</u>	<u>Percentage of Annual OPEB cost Contributed</u>
2008	\$ 1,136,096	\$ 543,590	\$ 592,506	47.85%
2009	1,149,496	511,902	637,594	44.53%
2010	988,298	513,839	474,459	51.99%
2011	1,032,173	691,123	341,050	66.96%
2012	977,326	606,563	370,763	62.06%
2013	938,303	543,887	394,416	57.96%
2014	1,227,931	542,139	685,792	44.15%

Funding Status

As of December 31, 2014, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$15,499,460 and the actuarial value of the assets was \$0 resulting in a UAAL of \$15,499,460. Historically, Yakima County has used a pay-as-you-go approach to funding. If Yakima County were to contribute the ARC to the plan every year, a liability would not be recorded. If the ARC is not fully funded in a given year, a liability is reported for the unpaid portion of the ARC.

Actuarial Methods and Assumptions

Yakima County used the alternative measurement method permitted under GASB Statement No. 45 to determine the retiree medical liability and how much Yakima County should be setting aside each year to fund that liability. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal costs. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2013, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were

based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 10 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The actuarial valuation for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial cost method used to determine the actuarial accrued liability was under a single group retirement age. These assumptions are individually and collectively reasonable for the purposes of this valuation. Measurements for general inflation were computed at 5%, Interest at 4.5%, and an amortization period of 10 years.

A copy of the report is available from Office of State Actuary in Olympia or the website http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm.

SCHEDULE OF FUNDING PROGRESS

<u>Year ended</u>	<u>Value of Assets</u>	<u>Actuarial</u>	<u>Unfunded</u>	<u>Covered</u>	<u>AAL as % of</u>
		<u>Accrued</u>	<u>Actuarial Accrued</u>		
		<u>Liability</u>	<u>Liability UAAL)</u>	<u>covered Payroll</u>	<u>covered Payroll</u>
2007	0	\$ 13,301,208	\$ 13,301,208	\$ 161,301	8246.20%
2008	0	11,806,216	11,806,216	169,667	6958.46%
2009	0	12,102,260	12,102,260	20,001	60508.27%
2010	0	11,488,469	11,488,469	101,836	11281.34%
2011	0	12,094,336	12,094,336	103,134	11726.82%
2012	0	11,681,523	11,681,523	108,860	10730.78%
2013	0	11,485,916	11,485,916	111,225	10326.74%
2014	0	15,499,460	15,499,460	-	0.00%

VI. RISK MANAGEMENT

A. Liability Insurance

The County is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets, error and omissions; injuries to employees; and natural disasters. The County maintains certain comprehensive general liability and property insurance, public official and law enforcement liability insurance, and excessive auto liability insurance for claims. It is the opinion of management and legal counsel that such claims and lawsuits are either covered by the County’s insurance policies, if they should exceed the County’s retained risk, or are recorded in the government-wide financial statements. During the past three years, the amount of settlements in cases covered by insurance has not exceeded the insurance coverage. The County is substantially self insured for its vehicles and all other perils including worker’s compensation and general liability below \$500,000. Claims over \$500,000 are covered by the Washington Counties Risk Pool.

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

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

Background: The Pool was “Created by Counties for Counties” in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP’s foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington (“RCW”), “to provide member counties

programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services.”

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

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

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

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

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

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

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

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

Joint Self-Insurance Liability Program (“JSILP”): The Washington Counties Risk Pool has since its beginning administered the membership’s occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits per occurrence have grown from the \$1 million existing during the Pool’s initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit that has existed since October 2003. (Note: Additional \$5 million limits were available as individual county-by-county options during many recent years, including the 2013-14 and 2014-15 coverage years.)

Since the 2003-04 coverage year, the initial \$10 million per occurrence, subject to the member-reimbursed deductible, has been provided as jointly self-insured coverage that is “risk shared” amongst the membership. Each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000.

The Board of Directors has decided for years now to acquire reinsurance as further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses which have the effect of increasing the Pool’s SIR. For 2013-14, there were two (2) such corridors – the first raising the occurrence SIR to \$1 million, but with an aggregated stop loss of \$2.975 million (later reduced with Clark County’s termination to \$2,900,625), and the second increasing the SIR further, to \$2 million, but with an aggregated stop loss of \$650,000 (also reduced with Clark County’s departure to \$596,875). Other reinsurance agreements respond to the remaining \$8 million – one for the \$3 million excess of the \$2 million SIR, and another for the \$5 million excess of \$5 million.

The remaining \$10 million (or \$15 million) of JSILP occurrence coverage has been acquired as “following form” excess insurance. And while there are no aggregate limits to the payments that the Pool makes for any member county or for all member counties, the reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer).

584 third-party liability claims (and lawsuits) were reported by member counties to the Pool during the 2013-14 coverage year, a 5.5% reduction in year-over-year filings and a continuation of the decline in filings experienced the past several years. The new filings raised the to-date (October 1988 – September 2014) total to 19,820. Yet only 359 remained classified as ‘open’ at year-end. Projections from the required independent actuary retained by the Pool’s Board of Directors suggest another 283 cases from all years as being incurred but not yet reported (“IBNR”) and raise the Pool’s estimated ultimate case count (as of September 30, 2014) to 20,103. Total incurred losses (payments made plus estimates for open claims) increased \$14.6 million during the year to \$264.6 million. And while that represents a significant increase from recent years’ corresponding amounts, it is less than the several earlier years’ amounts of \$16.0M (2010-11), \$17.8M (2009-10), and the \$20.8M (average for 2006-07 through 2008-09).

Claims reserves for the JSILP coverage are determined annually, and the actuary’s estimates of net reserves as of September 30, 2014 totaled \$14.68 million, a modest year-over-year increase of \$0.06 million (0.4%), and included \$2.69 million for losses in the basic SIR, \$10.84 million for the increased SIRs from the “corridor” programs, \$0.13 million for losses in the quota-shared (10%) upper reinsured layer retained by the Pool during 2012-13, and \$1.02 million for unallocated loss adjustment expenses (ULAE). NOTE: Estimates for gross reserves declined \$1.10 million (3.3%) to \$32.67 million, with \$17.99 million ceded to the commercial insurers.

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

Losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) 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. Coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million).

AOP occurrence deductibles, which each participating county confirms each year and is solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

Ongoing oversight of the Pool is furnished by an 11-person executive committee that is elected by and from the WCRP Board for staggered, 3-year terms. The membership of the 2014-15 committee averages more than nine years with the Pool. The committee meets throughout the year and a) approves all disbursements and reviews the Pool's financial health, b) approves case settlements exceeding the applicable member's deductible by at least \$50,000, c) reviews all claims with incurred loss estimates exceeding \$100,000, and d) evaluates the Pool's operations and program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

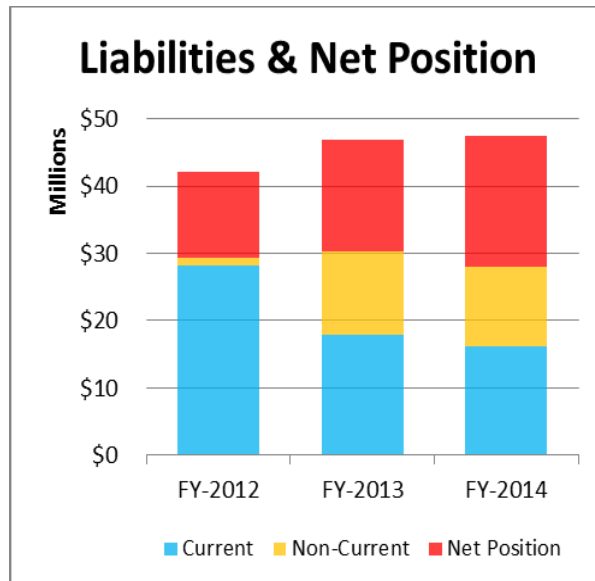
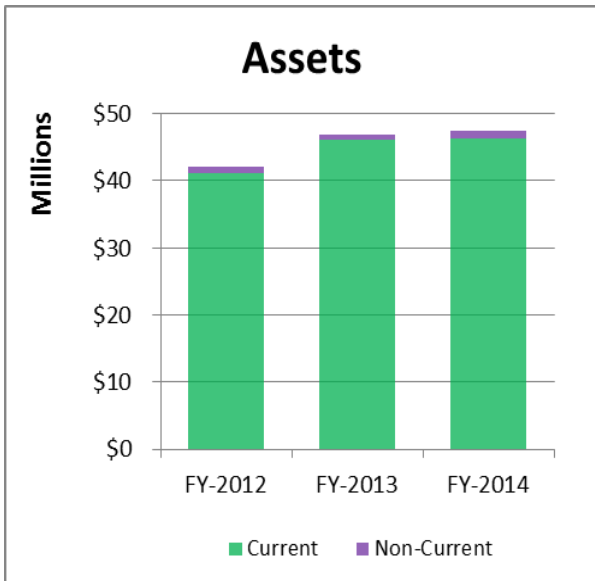
Staffing and Support Teams: Six of the Pool's 11-person staff handle and/or manage the several hundred liability cases filed annually upon the member counties and submitted for risk-shared coverage consideration. This includes determining coverage, establishing reserves for covered events by estimating future payments for the losses and their related claims adjustment expenses. The claims staff have 115 years of combined claims handling experience.

The remaining staff support the Pool's administrative needs and provide member services that include, but are not limited to assessing the memberships' risks, coordinating trainings, performing compliance audits, and developing and presenting/promoting coverages.

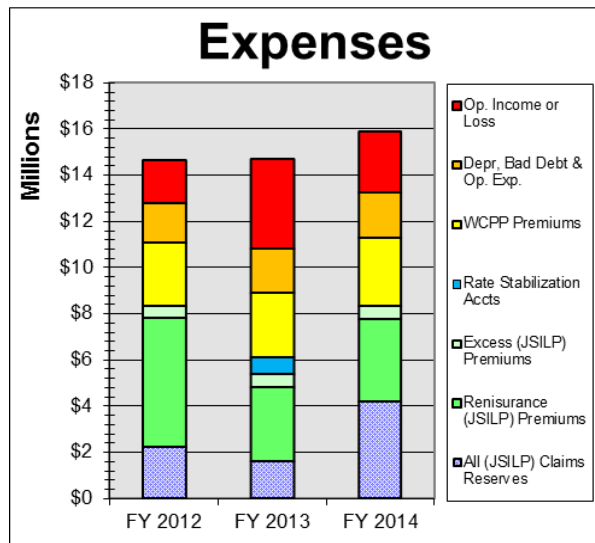
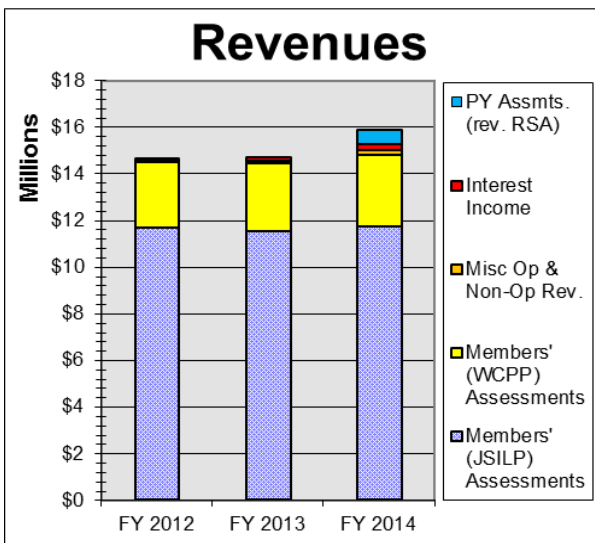
There are also the professionals from some of the most respected organizations worldwide which are retained by the Board to address specific needs of the Pool – PricewaterhouseCoopers, LLP furnishes independent actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing; Arthur J. Gallagher Risk Management Services, Inc. provides insurance producer (broker) and advanced loss control services; and J. William Ashbaugh of Hackett Beecher & Hart serves as coverage counsel. NOTE: Claims audits are occasionally performed by commercial insurers. The numerous attorneys retained and assigned to defend covered claims as well as the State Risk Manager and State Auditor's Offices cannot be overlooked.

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

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



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



Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) of the deficient year's membership in proportion with the initially levied and collected deposit assessments.

The Pool's reassessments receivable balance as of December 31, 2014 was ZERO (\$0). As such, there are no known contingent liabilities at that time for disclosure by the member counties.

Unions

Yakima County has over 16 labor unions that represent the employment work force. The County is continually updating and renegotiating the collective bargaining agreements. The County has valid union agreements through 2015.

B. Other Insurance

Yakima County insures its property (building and contents) through Wells Fargo Insurance Services. Its employees are covered with a performance bond through Fidelity and Deposit Company of Maryland.

The County is self-funded for unemployment insurance claims and for most industrial insurance (worker’s compensation) claims. Detail is found in the County’s internal service funds under Unemployment Compensation and Worker’s Compensation. Net position set aside at December 31, 2014, for these claims are \$1,086,023 and \$2,228,512 respectively. The County maintains a commercial policy for excess worker’s compensation claims through Midwest Casualty. Claims in excess of \$500,000 are covered by the insurance policy.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities including IBNE, are based on the estimated ultimate cost of settling the claims and include incremental costs for the hiring of special counsel and expert witnesses. The claims paid out and reserves are presented below:

Year	Beginning Balance	Paid Out	Additional Contribution	Ending Balance
2013	153,316	-	339,980	493,296
2014	493,296	160,600	277,662	610,358

VII. CONTINGENT LIABILITIES

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Yakima County is named as the defendant in various lawsuits. Although the outcome of these legal actions is not presently determinable, the County is of the opinion that present reserves are available to adequately cover potential settlements without adversely affecting the financial condition of the County.

Yakima County has settled several matters in litigation in 2014. The final expenditure for resolved litigation was \$733,935 found in the Liability Insurance Fund, listed as an Internal Service Fund.

VIII. JOINT VENTURE

The County had entered into a joint venture agreement with the City of Yakima to operate the Yakima Air Terminal. The joint venture agreement terminated effective February 12, 2013. The City and Yakima County are in residual litigation matters with a prior tenant, those prior years operations are still covered under the joint operating agreement between the City and County. If and when litigation is resolved, any court fees and settlements would be split under the originally 50/50 arrangement.

IX. OTHER DISCLOSURES

A. Prior Period Adjustments

In the Schedule of Expenditures for the General Fund. Amounts for Attorney and Assigned Counsel have been restated and reclassified under general government expenses. This change is reflected in 2013 and in 2014. The change is based on a clarification from the Washington State Auditor’s Office, expenses for both activities should be presented together under governmental expenses.

In the Internal Service Funds Grants management and Financial Services have been combined into one fund Financial Services, in 2013 they were listed as two separate funds.

In September 2013 Public Services Accounting initiated staffing changes that facilitated the hiring of a new accountant with the oversight of the Public Services Utility funds. With the change, a very thorough review was completed on the liabilities of the utility funds. It was discovered that there was an error in depreciation formulas which resulted in an overstatement in depreciation by \$113,643.

During the process of closing projects completed out of construction in progress an error in a project activity code cross reference to the general ledger was discovered which resulted in \$173,937 prior year capital costs that were expensed as operational cost.

B. Related Parties

In 1982, Yakima County authorized the creation of the Industrial Revenue Bond Public Corporation of Yakima County. This is a public corporation whose purpose is to issue tax-exempt nonrecourse revenue bonds to finance industrial development within the County.

Revenue bonds issued by the corporation are payable solely from revenues of the industrial development facility funded by the revenue bonds. It is neither a liability, nor a contingent liability of Yakima County, nor a lien on any of its properties or revenues. The cumulative total of outstanding bonds issued by the Corporation as of December 31, 2014, was \$5,180,000. The December 31, 2014, ending cash and investments at fair value balance was \$44,129.

The County has reviewed the Public Corporation as a potential component unit. Although the Board of County Commissioners comprises the Board of Directors for the Public Corporation, the County receives no financial benefit from and assumes no financial responsibility whatsoever for the debt of the Corporation.

In November 2009, Yakima County entered into an interlocal agreement with the City of Yakima. The City of Yakima now provides purchasing services for the County. The combining of the purchasing functions was designed to reduce costs and streamline the purchase order systems for the County. The County paid City of Yakima for the purchasing services for the following years:

<u>Year ended</u>	<u>Purchased</u> <u>Services from</u> <u>City of Yakima</u>
2010	\$ 261,828
2011	\$ 258,417
2012	\$ 300,578
2013	\$ 265,209
2014	\$ 248,917

Yakima County has a signed lease agreement with State Fair Park. The County receives a nominal fee for the lease. The community benefits by having facilities available to enhance our quality of life through exhibits, shows, the 4th of July event, the fair, concerts, sporting events, etc. Local government and businesses benefit from the outside dollars brought into our community with the staging of these events. The State Fair Park publishes and reports a separate financial statement. The County receives no direct funds from the State Fair Park operations.

Yakima County leases the Moxee Shooting Range to a nonprofit association who operates the park as “Sun Valley Shooting Park”. The County receives no additional funds from the operations.

C. GASB 18 – Accounting for Solid Waste Landfill Closure and Post-closure Costs

GASB 18 establishes the standards for accounting and financial reporting for municipal solid waste landfill closure and post-closure care costs. State and federal laws and regulations require Yakima County Solid Waste to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, Solid Waste reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$10.85 million reported as landfill closure and post-closure care liability at December 31, 2014, represents 74.76% percent of the estimated capacity of the Terrace Heights Landfill, 100% of the estimated capacity of the Cheyne Landfill Cell I, and 1.95% of Cell II. The Snipes Mountain landfill is closed with \$408,123 fully funded closure care liability to cover closure costs through 2024. Snipes Mountain utilized \$34,248 of the funded liability for monitoring costs in 2014. The remaining \$10.37 million landfill closure and post-closure care liability will be expensed based on percent of remaining capacity through 2025 for Terrace Heights, and 2047 for Cheyne Landfill Cell II. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Solid Waste is required by state and federal laws and regulations to have available an equivalent amount of assets to finance closure and post-closure care. Solid Waste is in compliance with these requirements, and, at December 31, 2014, cash and investments of \$22,208,297 are held for these purposes. Solid Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

D. Subsequent Events

The previous federal court decision in Thurston County made property taxation uniform on the trust lands, regardless of who owns buildings. The decision exempted property taxes on land and property owned by Indians. A 1955 federal law established that sovereign Indian nations are exempt from paying local or state taxes on federal lands held in trust for tribes. As a result, the land itself was exempt from county property taxes. Buildings and other improvements on that land also were considered exempt, if owned by Indians. The court decision is retroactive to the second half of 2011. It covers any 2014 property taxes already paid to the county. The impact to Yakima County is less than \$500,000, the majority of property affected is small crop land use within the Yakama Nation.

At the end of 2014, Aging and Long Term Care, a major fund, left the County and started operations as a separate entity. Aging & Long Term care will operate as a council of governments for the eight counties it represents in South Central Washington. This format is similar to the operations in Western Washington. Operations for older and disabled citizens will continue to all 13,000 square miles encompassing: Kittitas, Yakima, Benton, Franklin, Walla Walla, Columbia, Grant and Asotin counties.

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance--Budget (GAAP Basis) and Actual

General Fund

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<i>Revenues</i>					
Taxes	\$ 36,642,700	\$ 36,864,000	\$ 38,379,361	\$ 1,515,361	\$ 36,242,526
Licenses and Permits	356,400	321,400	372,072	50,672	340,357
Intergovernmental	7,875,097	7,811,829	7,682,826	(129,003)	8,110,550
Charges For Services	6,971,358	7,269,182	7,301,933	32,751	7,584,387
Fines and Forfeits	2,765,070	2,765,070	2,518,145	(246,925)	2,735,757
Miscellaneous Revenues	1,969,255	1,969,255	1,995,610	26,355	1,455,243
Total Revenues	\$ 56,579,880	\$ 57,000,736	\$ 58,249,947	\$ 1,249,211	\$ 56,468,820
<i>Expenditures</i>					
General Governmental Services	16,325,931	16,560,926	15,637,875	923,051	\$ 15,009,355
Judicial	7,418,513	7,470,591	7,265,734	204,857	7,237,019
Public Safety	13,653,949	14,010,227	13,846,153	164,074	13,543,628
Physical Environment	199,432	199,432	176,929	22,503	191,170
Transportation	-	-	-	-	14,408
Economic Environment	1,817,582	1,726,164	1,593,051	133,113	1,497,661
Health & Human Services	100,000	100,000	100,000	-	125,000
Culture and Recreation	304,897	389,617	350,027	39,590	236,493
Capital Outlay	147,200	314,216	314,456	(240)	149,161
Total Expenditures	\$ 39,967,504	\$ 40,771,173	\$ 39,284,225	\$ 1,486,948	\$ 38,003,895
Excess (Deficit) Revenues Over Expenditures	16,612,376	16,229,563	18,965,722	2,736,159	18,464,925
<i>Other Financing Sources (Uses)</i>					
Comp Loss on Capital Assets	-	-	52	52	50
Transfers In	102,657	262,300	266,945	4,645	530,691
Transfers Out	(24,029,344)	(23,882,619)	(17,379,783)	6,502,836	(18,830,430)
Capital Leases	(7,182)	(7,182)	(7,182)	0	33,283
Total Other Financing Sources (Uses)	\$ (23,933,869)	\$ (23,627,501)	\$ (17,119,968)	\$ 6,507,533	\$ (18,266,406)
Excess (Deficit) Resources Over Uses	(7,321,493)	(7,397,938)	1,845,754	9,243,692	198,519
Fund Balance, January 1	7,356,493	7,397,438	8,503,094	1,105,656	8,304,575
Fund Balance, December 31	\$ 35,000	\$ (500)	\$ 10,348,848	\$ 10,349,348	\$ 8,503,094

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual

County Road

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<u>Revenues</u>					
Property Taxes	\$ 10,310,507	\$ 10,310,507	\$ 10,607,619	\$ 297,112	\$ 10,308,929
Other Taxes	-	-	54,302	54,302	49,268
Licenses and Permits	-	-	35,168	35,168	39,073
Intergovernmental	21,227,300	21,227,300	14,974,704	(6,252,596)	10,000,448
Charges for Services	-	-	644,293	644,293	351,573
Interest Earnings	-	-	43,664	43,664	17,050
Donations	-	-	-	-	0
Special Assessments	-	-	6,000	6,000	1,333
Other Revenue	-	-	35,026	35,026	38,616
Total Revenues	31,537,807	31,537,807	26,400,776	(5,137,031)	20,806,290
<u>Expenditures</u>					
General Governmental Services	-	-	221,282	(221,282)	200,669
Transportation	11,860,276	11,860,276	11,253,146	607,130	12,527,667
Debt Service:					
Principal	891,227	891,227	891,227	-	891,227
Interest	54,059	54,059	54,059	0	62,163
Capital Outlay	23,858,607	23,858,607	12,094,513	11,764,094	5,707,515
Total Expenditures	36,664,169	36,664,169	24,514,227	12,149,942	19,389,241
Excess (Deficit) Revenues over Expenditures	(5,126,362)	(5,126,362)	1,886,549	7,012,911	1,417,049
<u>Other Financing Sources (Uses)</u>					
Transfers In	2,259,900	2,259,900	694,058	(1,565,842)	242,935
Transfers Out	(16,000)	(16,000)	(15,093)	907	(14,667)
Intergovernmental Payments	-	-	0	-	(80,086)
Total Other Financing Sources (Uses)	2,243,900	2,243,900	678,965	(1,564,935)	148,182
Excess (Deficit) Resources Over Uses	(2,882,462)	(2,882,462)	2,565,514	5,447,976	1,565,231
Fund Balance as of January 1	3,356,000	3,356,000	3,479,188	123,188	1,913,957
Fund Balance as of December 31	\$ 473,538	\$ 473,538	\$ 6,044,702	\$ 5,571,164	\$ 3,479,188

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual

Aging & Long-Term Care

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<i>Revenues</i>					
Intergovernmental	\$ 10,702,537	\$ 11,162,537	\$ 9,868,097	\$ (1,294,440)	\$ 10,408,637
Charges for Services	7,800	99,800	1,009,356	909,556	271,589
Interest Earnings	27,052	35,052	27,667	(7,385)	28,626
Donations	5,000	5,000	141,304	136,304	41,030
Other Revenue	2,399	2,399	110,218	107,819	19,151
Total Revenues	10,744,788	11,304,788	11,156,642	(148,146)	10,769,033
<i>Expenditures</i>					
Health and Human Services	10,931,526	11,491,526	10,686,208	805,318	10,243,375
Capital Outlay	31,408	31,408	5,370	26,038	10,254
Total Expenditures	10,962,934	11,522,934	10,691,578	831,356	10,253,629
Excess (Deficit)					
Revenues over Expenditures	(218,146)	(218,146)	465,064	683,210	515,404
Fund Balance as of January 1	218,146	218,146	3,059,710	2,841,564	2,544,306
Fund Balance as of December 31	\$0	\$0	\$ 3,524,774	\$ 3,524,774	\$ 3,059,710

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual
 Support Investment in Economic Diversification
 For the Year Ended December 31, 2014
 With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<i>Revenues</i>					
Sales and Use Taxes	\$ 3,114,000	\$ 3,114,000	\$ 3,347,904	\$ 233,904	\$ 3,069,646
Interest Earnings	145,000	145,000	210,704	65,704	176,147
Other Revenue	3,956,867	-	0	0	325,000
Total Revenues	7,215,867	3,259,000	3,558,608	299,608	3,570,793
<i>Expenditures</i>					
Economic Environment	7,818,019	6,086,527	1,653,638	4,432,889	700,896
Total Expenditures	7,818,019	6,086,527	1,653,638	4,432,889	700,896
Excess (Deficit)					
Revenues over Expenditures	(602,152)	(2,827,527)	1,904,970	4,732,497	2,869,897
<i>Other Financing Sources (Uses)</i>					
Transfers In	1,500,000	1,500,000	-	(1,500,000)	-
Transfers Out	(2,363,848)	(2,363,848)	(694,058)	1,669,790	(334,794)
Total Other Financing Sources (Uses)	(863,848)	(863,848)	(694,058)	169,790	(334,794)
Excess (Deficit) Resources Over Uses	(1,466,000)	(3,691,375)	1,210,912	4,902,287	2,535,103
Fund Balance as of January 1	9,914,228	13,871,095	16,422,501	2,551,406	13,887,398
Fund Balance as of December 31	\$ 8,448,228	\$ 10,179,720	\$ 17,633,413	\$ 7,453,693	\$ 16,422,501

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual
 Department of Corrections
 For the Year Ended December 31, 2014
 With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<i>Revenues</i>					
Intergovernmental	\$ 75,000	\$ 115,500	\$ 117,805	\$ 2,305	\$ 172,863
Charges for Services	7,702,877	8,307,177	8,218,630	(88,547)	7,090,367
Interest Earnings	5,000	20,000	24,091	4,091	6,818
Other Revenue	414,479	529,000	727,628	198,628	613,360
Total Revenues	8,197,356	8,971,677	9,088,154	116,477	7,883,408
<i>Expenditures</i>					
Public Safety	20,412,788	21,064,805	21,161,467	(96,662)	20,352,050
Capital Outlay	-	-	-	0	28,195
Total Expenditures	20,412,788	21,064,805	21,161,467	(96,662)	20,380,245
Excess (Deficit) Revenues over Expenditures	(12,215,432)	(12,093,128)	(12,073,313)	19,815	(12,496,837)
<i>Other Financing Sources (Uses)</i>					
Transfer in	16,254,222	15,854,222	16,067,487	213,265	16,476,646
Transfers Out	(2,728,995)	(2,728,995)	(2,728,995)	0	(2,708,129)
Proceed from Capital Assets Other Deposits	-	-	2,201	2,201	41,560
Total Other Financing Sources (Uses)	13,525,227	13,125,227	13,340,693	215,466	13,810,077
Excess (Deficit) Resources Over Uses	1,309,795	1,032,099	1,267,380	235,281	1,313,240
Fund Balance as of January 1	1,599,592	1,599,592	1,448,610	(150,982)	135,370
Fund Balance as of December 31	\$ 2,909,387	\$ 2,631,691	\$ 2,715,990	\$ 84,299	\$ 1,448,610

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual
 Community Services Program
 For the Year Ended December 31, 2014
 With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<u>Revenues</u>					
Property Taxes	\$ 350,050	\$ 350,050	\$ 326,657	\$ (23,393)	\$ 317,641
Sales and Use Taxes	-	-	2,355,137	2,355,137	2,527,083
Other Taxes	300	300	527	227	398
Intergovernmental	3,779,189	3,779,189	957,273	(2,821,916)	33,500
Charges for Services	82,000	82,000	2,925	(79,075)	2,164,075
Interest Earnings	19,000	19,000	30,148	11,148	20,878
Other Revenue	-	-	16	16	0
Total Revenues	4,230,539	4,230,539	3,672,683	(557,856)	5,063,575
<u>Expenditures</u>					
Health and Human Services	4,956,529	4,956,529	3,920,190	1,036,339	5,447,847
Total Expenditures	4,956,529	4,956,529	3,920,190	1,036,339	5,447,847
Excess (Deficiency) of Revenues over Expenditures	(725,990)	(725,990)	(247,507)	478,483	(384,272)
<u>Other Financing Sources (Uses)</u>					
Transfers In	313,156	313,156	6,693	(306,463)	-
Transfers Out	(67,066)	(67,066)	(148,905)	(81,839)	(210,755)
Total other financing sources (uses)	246,090	246,090	(142,212)	(388,302)	(210,755)
Net Change in Fund balance	(479,900)	(479,900)	(389,719)	90,181	(595,027)
Fund Balance as of January 1	479,900	479,900	3,882,206	3,402,306	4,477,233
Fund Balance as of December 31	\$ -	\$ -	\$ 3,492,487	\$ 3,492,487	\$ 3,882,206

YAKIMA COUNTY, WASHINGTON

Schedule of Revenues, Expenditures, and Changes in Fund Balance -- Budget (GAAP Basis) and Actual
 District Court Probation
 For the Year Ended December 31, 2014
 With Comparative Totals for the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<u>Revenues</u>					
Charges for Services	\$ 1,559,660	\$ 1,559,660	\$ 1,479,413	\$ (80,247)	\$ 1,576,856
Interest Earnings	5,000	5,000	8,230	3,230	-
Other Revenue	10,570	10,570	4,215	(6,355)	11,479
Total Revenues	1,575,230	1,575,230	1,491,858	(83,372)	1,588,335
<u>Expenditures</u>					
Public Safety	1,602,832	1,602,832	1,591,088	11,744	1,524,897
Total Expenditures	1,602,832	1,602,832	1,591,088	11,744	1,524,897
Excess (Deficiency) of Revenues over Expenditures	(27,602)	(27,602)	(99,230)	(71,628)	63,438
Net Change in Fund balance	(27,602)	(27,602)	(99,230)	(71,628)	63,438
Fund Balance as of January 1	27,602	27,602	191,773	164,171	128,335
Fund Balance as of December 31	\$ -	\$ -	\$ 92,543	\$ 92,543	\$ 191,773

Notes to Required Supplementary Information

The annual budget for Yakima County is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting System (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted at the level of the fund, except in the General Fund, where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Appropriations for Governmental Funds lapse at year-end.

All governmental funds have legally adopted annual budgets except the CRID Guaranty Fund, Juvenile Justice G.O. Bond Fund and the LID Guaranty Debt Service Funds.

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

- a. Prior to the first Tuesday in September the elected officials and department managers submit to the Board of County Commissioners a proposed operating budget for the following calendar year. The operating budget includes proposed revenues and expenditures.
- b. The Commission conducts public hearings during November at the county courthouse to obtain taxpayer comments.
- c. The Commission makes adjustments to the proposed budget and adopts, by resolution, a final budget no later than December 31.
- d. The final budget is available to the public February 1.

The County Auditor is authorized to transfer budgeted amounts between object classes within departments or funds; however, the County Commissioners must approve any revisions that alter the total expenditures of a fund or department of the General Fund. Also, the Commissioners must approve any changes that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment.

After holding one public hearing, the Commissioners determine whether it is in the best interest of the County to increase or decrease the appropriation for a particular fund or department. Approval is made by a resolution adopted by a majority of the Board.

YAKIMA COUNTY, WASHINGTON

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POSTEMPLOYMENT BENEFITS

LEOFF 1 RETIREE MEDICAL BENEFITS

SCHEDULE OF FUNDING PROGRESS

For Year Ended	Actuarial Value of Assets	Actuarial Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	AAL as a Percentage of Covered Payroll
12/31/2007	\$ -	\$ 13,301,208	\$ 13,301,208	0%	161,301	8246.2%
12/31/2008	\$ -	\$ 11,806,216	\$ 11,806,216	0%	169,667	6958.5%
12/31/2009	\$ -	\$ 12,102,260	\$ 12,102,260	0%	200,001	6051.1%
12/31/2010	\$ -	\$ 11,488,469	\$ 11,488,469	0%	101,836	11281.3%
12/31/2011	\$ -	\$ 12,094,336	\$ 12,094,336	0%	103,134	11726.8%
12/31/2012	\$ -	\$ 11,681,523	\$ 11,681,523	0%	108,860	10730.8%
12/31/2013	\$ -	\$ 11,485,916	\$ 11,485,916	0%	111,225	10326.7%
12/31/2014	\$ -	\$ 15,499,460	\$ 15,499,460	0%	0	0%

The LEOFF 1 AAL has been prepared using the alternative method issued by the Office of the State Actuary (OSA)

Note RSI-2

The information presented in this required supplementary schedule was determined as part of the actuarial valuations from the OSA.

Contributions

Employer 542,139

Actuarial Valuation date

12/31/2014

Amortization Method

10 years

Actuarial Assumptions

Healthcare Inflation rate 5.00%

Interest Rate 4.50%

Postretirement benefit increases none

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

Grantor	Program Title	CFDA	Other ID#	From Direct Awards	From Pass through	Total Awards	Notes
Department of Agriculture							
Passed through Superintendent of Public Instruction							
	National School Lunch Program	10.555	39 007 1614	58,612		58,612	
	10.555 Total			58,612	-	58,612	
Passed through Department of Social and Health Services							
	Senior Farmers Market Nutrition Program	10.576	1369-78323		1,694	1,694	3
	10.576 Total			-	1,694	1,694	
Passed through Washington State Treasurer							
	Schools and Roads- Grant to State	10.665	Public Law 110-343		685,521	685,521	
	Schools and Roads- Grant to State	10.665	Public Law 110-343		21,364	21,364	
	10.665 Total			-	706,885	706,885	
	Total Department of Agriculture			58,612	708,579	767,191	
Department of Commerce							
Passed through WA State Recreation and Conservation							
	Pacific Coast Salmon Recovery	11.438	12-1327C, 10-1765R, 12-1317R, 10-1909A		26,363	26,363	
	11.438 Total			-	26,363	26,363	
	Total Department of Commerce			-	26,363	26,363	
Department of Housing and Urban Development							
Passed through Department of Community Services							
	Community Development Block Grant	14.228	13-65400-017		888	888	3
	Community Development Block Grant	14.228	13-65400-018		134,132	134,132	3
	Community Development Block Grant	14.228	13-65400-043		24,000	24,000	3
	Community Development Block Grant	14.228	14-65400-017		25,017	25,017	3
	14.228 Total			-	184,037	184,037	
Passed through Department of Community Services							
	Emergency Solutions Grants Program	14.231	14-46107-013		222,702	222,702	3
	14.231 Total			-	222,702	222,702	
Direct from Federal Agency							
	Shelter Plus Care	14.238	WA0256L0T071201	3,344		3,344	3
	Shelter Plus Care	14.238	WA0256L0T071303	7,367		7,367	3
				10,711	-	10,711	
Direct from Federal Agency							
	HOME Investment Partnership Program	14.239	M13-UC530209, M14-DC530209	45,175		45,175	4
	HOME Investment Partnership Program	14.239	M10-UC-53-0209, M11-DC-53-0209, M12UC53-0209	388,169		388,169	4
	HOME Investment Partnership Program	14.239	M10-UC-53-0209, M11-DC-53-0209, M12UC53-0210	15,132		15,132	4
	14.239 Total			448,476	-	448,476	
Direct from Federal Agency							
	Continuum of Care Program	14.267	WA0289L0T01300	5,087		5,087	
	14.267 Total			5,087	-	5,087	
	Total Department of Housing and Urban Development			464,274	406,739	871,013	
Department of the Interior							
Direct from Federal Agency							
	Fish and Wildlife Management Assistance	15.608	F11AC00031	12,078		12,078	
	15.608 Total			12,078	-	12,078	
	Total Department of the Interior			12,078	-	12,078	
Department of Justice							
Passed through Washington State Patrol							
	Law Enforcement Assistance Narcotics and Dangerous Drugs	16.001	C141454FED		23,203	23,203	
	16.001 Total			-	23,203	23,203	
Passed through Department of Community Services							
	Violence Against Women Formula Grant	16.588	F13-31103-038		24,643	24,643	
	Violence Against Women Formula Grant	16.588	F13-31103-037		24,975	24,975	
	16.588 Total			-	49,618	49,618	
Direct from Federal Agency							
	State Criminal Alien Assistance Program	16.606	98-AP-VX-0257	115,927		115,927	
	16.606 Total			115,927	-	115,927	
Direct from Federal Agency							
	Bulletproof Vest Partnership Program	16.607	BA-2000.5-SM01	1,666		1,666	
	Bulletproof Vest Partnership Program	16.607	NA	1,878		1,878	
	16.607 Total			3,544	-	3,544	
Passed through Department of Community Services							
	Edward Byrne Memorial Justice Assist Grant Program	16.738	2014-H1636-WA-DJ		14,178	14,178	

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

Grantor	Program Title	CFDA	Other ID#	From Direct Awards	From Pass through	Total Awards	Notes
	Edward Byrne Memorial Justice Assist Grant Program	16.738	M13-31440-19, M14-31440-019		35,403	35,403	
	Edward Byrne Memorial Justice Assist Grant Program	16.738	M13-34021-019, M14-34021-019		66,268	66,268	
	Edward Byrne Memorial Justice Assist Grant Program	16.738	M13-31440-19, M14-31440-019		55,263	55,263	
	16.738 Total			-	171,112	171,112	
	Total Department of Justice			119,471	243,933	363,404	
Department of Labor							
Passed through Department of Social and Health Services							
	Senior Community Service Employment Program	17.235	1469-14546, 1369-78323		5,005	5,005	
	Senior Community Service Employment Program	17.235	1469-14546, 1369-78324		58,443	58,443	
	17.235 Total			-	63,448	63,448	
	Total Department of Labor			-	63,448	63,448	
Department of Transportation							
Passed through WA State Department of Transportation							
	Highway Planning and Construction	20.205	LA-7414, LA-8032, LA-8459		5,111,276	5,111,276	
	Highway Planning and Construction	20.205	LA-7347, LA-5106, LA-7955		825,990	825,990	
	Highway Planning and Construction	20.205	LA-8296, LA-7621		311,024	311,024	
	20.205 Total			-	6,248,290	6,248,290	
Passed through WA state Traffic Safety							
	State and Community Highway Safety	20.600	NA		8,053	8,053	
	20.600 Total			-	8,053	8,053	
Passed through WA state Traffic Safety							
	Alcohol Impaired Driving Countemeasurers Incentive Grant	20.601	AL14-04		95,890	95,890	
	Alcohol Impaired Driving Countemeasurers Incentive Grant	20.601	NA		4,160	4,160	
	Alcohol Impaired Driving Countemeasurers Incentive Grant	20.601	NA		1,278	1,278	
	20.601 Total			-	101,328	101,328	
	Total Department of Transportation			-	6,357,671	6,357,671	
Department of Health and Human Services							
Passed through Department of Social and Health Services							
	Special Program for the Aging-Title V11, Chapter 3 Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	1469-93689		7,578	7,578	3
	93.041 Total			-	7,578	7,578	
Passed through Department of Social and Health Services							
	Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1469-93690		129,232	129,232	3
	Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1469-93689		14,311	14,311	3
	93.043 Total			-	143,543	143,543	
Passed through Department of Social and Health Services							
	Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1469-93689		282,508	282,508	3
	Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1469-93689		291,491	291,491	3
	93.044 Total			-	573,999	573,999	
Passed through Department of Social and Health Services							
	Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1469-93689		37,798	37,798	3
	Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1469-93689		486,772	486,772	3
	Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1469-93689		49,505	49,505	3
	Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1469-93689		637,665	637,665	3
	93.045 Total			-	1,211,740	1,211,740	
Passed through Department of Social and Health Services							
	National Family Caregiver Support, Title III, Part E	93.052	1469-93689		150,939	150,939	3
	93.052 Total			-	150,939	150,939	
Passed through Department of Social and Health Services							
	Nutrition Services Incentive Program	93.053	1469-93689		232,595	232,595	3
	93.053 Total			-	232,595	232,595	
Passed through Department of Social and Health Services							
	Medicare Enrollment Assistance Program	93.071	1369-92783		8,997	8,997	3
	93.071 Total			-	8,997	8,997	
Direct from Federal Agency							
	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1U795M658514	251,403		251,403	3

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

Grantor	Program Title	CFDA	Other ID#	From Direct Awards	From Pass through	Total Awards	Notes
	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1U795M658514	530,472		530,472	3
	93.104 Total			781,875	-	781,875	
Direct from Federal Agency							
	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI024164	99,497		99,497	
	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI024165	30,384		30,384	
	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI024166	113,859		113,859	
	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79TI024167	42,921		42,921	
Passed through WA State Department of Health							
	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	12-65400-012		24,919	24,919	3
	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	12-65400-013		7,269	7,269	3
	93.243 Total			286,661	32,188	318,849	
Passed through Department of Social and Health Services							
	Substance Abuse and Mental Health Services-Access to Recovery	93.275	1063-12911		281,545	281,545	
	93.275 Total			-	281,545	281,545	
Passed through Department of Social and Health Services							
	Affordable Care Act – Aging and Disability Resource Center	93.517	1369-78487		81,155	81,155	
	93.517 Total			-	81,155	81,155	
Passed through Department of Social and Health Services							
	Child Support Enforcement	93.563	NA		988,395	988,395	
	Child Support Enforcement	93.563	NA		274,040	274,040	
	Child Support Enforcement	93.563	0763-1511		86,525	86,525	
	Child Support Enforcement	93.563	NA		214,495	214,495	
	93.563 Total			-	1,563,455	1,563,455	
Passed through Department of Social and Health Services							
	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	93.628	1469-14546, 1369-78323		24,857	24,857	
	93.628 Total			-	24,857	24,857	
Passed through Department of Social and Health Services							
	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	93.734	21130912		15,299	15,299	3
	93.734 Total			-	15,299	15,299	
Passed through Department of Social and Health Services							
	Medical Assistance Program	93.778	1369-80555, 1469-17072		36,517	36,517	
	Medical Assistance Program	93.778	1469-14546, 1369-78323		2,604,315	2,604,315	3
	Medical Assistance Program	93.778	1469-14546, 1369-78323		38,517	38,517	
	93.778 Total			-	2,679,349	2,679,349	
	Money Follows the Person Rebalancing Demonstration	93.791	1369-78323,1469-14546, 1369-80555, 1469-17072		22,112	22,112	
	93.791 Total			-	22,112	22,112	
Total Department of Health and Human Services				1,068,536	7,029,351	8,097,887	
Corporation for National and Community Service							
Direct from Federal Agency							
	Volunteers in Service to America	94.013	NA	11,500		11,500	
	94.013 Total			11,500	-	11,500	
Total Corporation for National and Community Service				11,500	-	11,500	
Executive Office of the President							
Direct from Federal Agency							
	High Intensity drug Trafficking Areas Program	95.001	G11NW0006A	114,450		114,450	
Passed through Educational Service District 105							
	High Intensity drug Trafficking Areas Program	95.001	9003000018		75,413	75,413	
	High Intensity drug Trafficking Areas Program	95.001	9003000018		16,508	16,508	
	95.001 Total			114,450	91,921	206,371	
Total Executive Office of the President				114,450	91,921	206,371	

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

Grantor	Program Title	CFDA	Other ID#	From Direct Awards	From Pass through	Total Awards	Notes
Department of Homeland Security							
Passed through Department of Parks and Recreation							
	Boating Safety Financial Assistance	97.012	NA		12,967	12,967	
	97.012 Total			-	12,967	12,967	
Passed through WA State Military Department							
	Flood Mitigation Assistance	97.029	E12-218		4,104	4,104	
	97.029 Total			-	4,104	4,104	
Passed through WA State Military Department							
	Hazard Mitigation Grant	97.039	E11-079		6,309	6,309	
	97.039 Total			-	6,309	6,309	
Direct from Federal Agency							
	Cooperating Technical Partners	97.045	EMS 2010 GR 0015	36,204		36,204	
	97.045 Total			36,204	-	36,204	
	Total Department of Homeland Security			36,204	23,380	59,584	
	Grand Total			1,885,125	14,951,385	16,836,510	

Yakima County
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the County's financial statements. The County uses the accrual 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, are more than shown.

Note 3 – Amounts awarded to Subrecipients

Included in the total amount expended for this program are amounts that have been passed through to a subrecipient that administered its own project.

Note 4 – Loan Program Income

The county has an affordable housing program for low income housing. Under this federal program, repayments to the county are considered program income. A total of \$17,417 was received in loan repayments.

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

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

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Yakima County.

Finding ref number: 2014-001	Finding caption: The County did not have adequate internal controls to ensure compliance with federal allowable costs and eligibility requirements.
Name, address, and telephone of auditee contact person: Karen D'Hondt, Finance Manager 128 N. Second Street, Room 231 Yakima, WA 98901	
Corrective action the auditee plans to take in response to the finding: <i>Yakima County has implemented stronger procedures under the grant voucher programs. All Grant Voucher Programs will be discontinued in September 2015.</i>	
Anticipated date to complete the corrective action: April 1, 2015	

ABOUT THE STATE AUDITOR'S OFFICE

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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.

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