



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements and Federal Single Audit  
Report**

**Grays Harbor County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 15, 2014**

**Report No. 1012545**





**Washington State Auditor**  
**Troy Kelley**

September 15, 2014

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

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

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR

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# Federal Summary

## Grays Harbor County January 1, 2013 through December 31, 2013

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

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed 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>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
10.665	Forest Service Schools and Roads Cluster - Schools and Roads - Grants to States
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

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

# Schedule of Federal Audit Findings and Questioned Costs

## Grays Harbor County January 1, 2013 through December 31, 2013

- The County did not have adequate internal controls to ensure compliance with reporting requirements for its Title III, Schools and Roads federal grant.**

<b>CFDA Number and Title:</b>	10.665 Schools and Roads – Grants to States
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture, Forest Service
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0.00

### Background

During fiscal years 2012 and 2013, Grays Harbor County spent \$17,600 and \$36,348, respectively, in Title III funds for the Schools and Roads Grants to State. The objective of this program is to share receipts from the national forests with the states in which the national forests are situated. Generally, these funds are to be used for the benefit of public schools and public roads of the county or counties in which the national forest is situated. Title III funds are paid to the State and then distributed by the State to the participating county. These are referred to in the authorizing legislation as “county funds” (16 USC 7141). The County used the Title III funds to develop a Firewise Communities program to provide to homeowners in fire-sensitive ecosystems education on, and assistance with implementing, techniques in home siting, home construction, and home landscaping that can increase the protection of people and property from wildfires.

### Description of Condition

The County lacked adequate internal controls to ensure federal reporting requirements were met. The County is required to submit a certification stating that funds expended in the applicable year were used for authorized purposes. This certification is due by February 1 of the year after the funds were spent. At the time of our audit, the 2012 and 2013 certifications had not been submitted. We consider the control deficiency to be a material weakness.

### Cause of Condition

County staff responsible for this grant was not aware of the reporting requirements.

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

The County failed to meet federal reporting requirements. Failure to comply with federal requirements may jeopardize the County's eligibility for future federal assistance.

## **Recommendation**

We recommend the County develop appropriate internal controls, such as training and oversight, to ensure it complies with federal reporting requirements.

## **County's Response**

*We appreciate the opportunity to respond to the auditor's finding. The County had a retirement in staff resulting in the missed deadline to submit the certifications. The situation has been resolved and both certifications for 2012 and 2013 were immediately filed. Current County staff has been notified of the federal reporting requirement to ensure future certifications will be submitted by the due date. It is important to note all funds expended in both years were used for authorized purposes.*

## **Auditor's Remarks**

We appreciate the County's commitment to resolving the issues noted. We will review the status during the next audit.

## **Applicable laws and Regulations**

16 United States Code §7143, Certification, states:

(a) In general

Not later than February 1 of the year after the year in which any county funds were expended by a participating county, the appropriate official of the participating county shall submit to the Secretary concerned a certification that the county funds expended in the applicable year have been used for the uses authorized under section 7142(a) of this title, including a description of the amounts expended and the uses for which the amounts were expended.

U.S. Office of Management and Budget Circular A-133 Revised, *Audits of States, Local Governments, and Non-profit Organizations*, Subpart C, *Auditees*, Section 300 *Auditee responsibilities*, 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.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 500, states in part:

(a) The audit shall be conducted in accordance with GAGAS.

*Government Auditing Standards*, December 2011 Revision, paragraph

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

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

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

**Material weakness.** A deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Significant deficiency.** 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.



## Schedule of Federal Audit Findings and Questioned Costs

### Grays Harbor County January 1, 2013 through December 31, 2013

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

<b>CFDA Number and Title:</b>	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture, Food and Nutrition Service
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Department of Health
<b>Pass-through Award/Contract Number:</b>	C16885
<b>Questioned Cost Amount:</b>	\$10,549

#### Background

For the year ended December 31, 2013, the County charged \$392,138 to the Women, Infants and Children (WIC) federal program, which includes a total of \$39,161 in indirect costs. The objective of the WIC program is to provide supplemental nutritious foods, nutrition education (including breastfeeding promotion and support), and referrals to health care for low-income persons during critical periods of growth and development.

#### Description of Condition

The County Public Health Department did not have adequate internal controls to ensure indirect costs were charged in accordance with the County's approved indirect cost plan. The County developed an indirect cost plan that states the indirect cost rate is to be applied to direct salaries and wages. However, the County Public Health Department applied the indirect cost rate to all direct costs charged to the grant, not just salaries and wages, per the indirect cost plan.

#### Cause of Condition

The County Public Health Department lacked knowledge and understanding of how to accurately apply the County indirect cost rate.

## Effect of Condition and Questioned Costs

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

## Recommendation

We recommend the County provide training and oversight to ensure all departments are knowledgeable on how to apply the indirect cost rate and that costs are applied in accordance with the indirect cost plan.

We further recommend the County work with the federal grantor to determine the amounts to be repaid, if any.

## County's Response

*Problem: The Grays Harbor Public Health and Social Services Department applied the indirect cost allocation percent against all Women, Infants and Children (WIC) program direct expenses instead of just direct salaries as the plan indicated. The problem derived from the longstanding use of the Department of Health forms, which required cost allocation applied to all direct program costs. As a result, using SAO criteria, the program was over charged for indirect costs by \$10,549.*

*Desired Outcome: This corrective action plan will first, stop charging indirect costs on all direct expenses for programs that have been charged this calculated rate. Second, the department will verify and correct over payments and then third, accurately apply the County indirect cost rate on direct salaries only until a new plan has been adopted by the Board of County Commissioners. That plan will be submitted to the Department of Health and other entities and will be used to calculate and charge programs a fair and accurate indirect cost rate.*

### *Action Steps:*

- 1. Stop charging indirect costs on all direct expenses.*
  - a. On August 13, 2014 all managers were notified that starting immediately (July 2014 program billings) the "County Indirect Cost Rate" charged against programs would cease.*
- 2. Contact the Washington State Department of Health*
  - a. Work with Women, Children & Infants program staff to pay back the over charge of \$10,549.00 for fiscal year 2013.*

3. *Calculate 2014 eligible salary expenditures for federal grants*
  - a. *Re-calculate indirect costs based on eligible salary expenditures for 2014 to ensure that no overpayments have been received. If they have, the funds will be returned promptly or, if possible, charging for indirect costs will be halted until overage has been eliminated.*
4. *Properly apply the County indirect cost rate to direct Salaries*
  - a. *For the remainder of 2014 if a program hasn't been over charged for indirect costs the department will charge the County Indirect Cost Rate of 12.61% on direct salaries only for the remainder of the year.*
5. *2015 and beyond*
  - a. *For 2015 the Public Health and Social Services Department will use the County's Indirect Cost Rate as per the Omni Circular approved general rate of 10% on all grants that permit indirect cost reimbursement.*

## **Auditor's Remarks**

We appreciate the County's commitment to resolving the issues noted. We will review the status during the next audit.

## **Applicable laws and Regulations**

U.S. Office of Management and Budget (OMB) Circular A-87 Revised – Cost Principles for State, Local, and Indian Tribal Governments; Attachment E – State and Local Indirect Cost Rate Proposals; Part C – Allocation of Indirect Costs and Determination of Indirect Cost Rates; Section 2 – Simplified method; states, in part:

- a. Where a grantee agency's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the grantee agency's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small.
- c. The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass through funds, major

subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

U.S. Office of Management and Budget (OMB) Circular A-133 Revised – Audits of States, Local Governments, and Non-profit Organizations; Subpart C – Auditees; Section 300 - Auditee responsibilities; 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.

# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Grays Harbor County  
January 1, 2013 through December 31, 2013**

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Grays Harbor County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 9, 2014.

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

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

In addition, we noted certain matters that we have reported to the management of the County in a separate letter dated September 9, 2014.

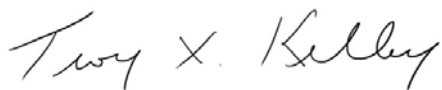
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

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



**TROY KELLEY**  
STATE AUDITOR

September 9, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Grays Harbor County  
January 1, 2013 through December 31, 2013**

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

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

We have audited the compliance of Grays Harbor County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 and 2. Our opinion on each major federal program 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 and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the



accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

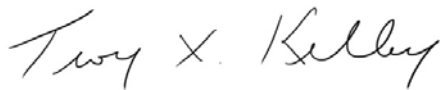
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important 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 2 to be a significant deficiency.

### ***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.



**TROY KELLEY**  
STATE AUDITOR

September 9, 2014

# **Independent Auditor's Report on Financial Statements**

## **Grays Harbor County January 1, 2013 through December 31, 2013**

Board of Commissioners  
Grays Harbor County  
Montesano, Washington

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of Grays Harbor County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 21.

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

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Grays Harbor County, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Grays Harbor County, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

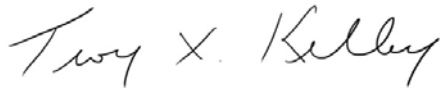
#### ***Supplementary and Other Information***

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

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014 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.



**TROY KELLEY**  
STATE AUDITOR

September 9, 2014

## **Financial Section**

**Grays Harbor County**  
**January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

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

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	101 Special Projects	102 Auditor's M & O
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	31,607,666	0	272,043	132,746
30880	Beg Fund Bal-Unreserved	4,913,390	4,913,390	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	24,160,378	14,151,726	0	0
320	Licenses & Permits	990,795	978,197	0	0
330	Intergovernmental Revenues	15,099,700	3,800,155	649,865	68,727
340	Charges for Goods and Services	18,476,669	2,979,970	0	50,014
350	Fines & Penalties	1,472,087	1,468,300	0	0
360	Miscellaneous Revenues	4,943,344	1,233,007	58,000	36
<b>Total Operating Revenues:</b>		<b>65,142,972</b>	<b>24,611,355</b>	<b>707,865</b>	<b>118,777</b>
<b>Operating Expenditures</b>					
510	General Government	14,506,009	10,372,270	1,018	44,650
520	Public Safety	13,295,704	11,791,921	72,848	0
530	Utilities	4,950,926	0	0	0
540	Transportation	12,739,765	0	0	0
550	Natural and Economic Environment	2,909,844	402,252	662,267	0
560	Social Services	11,195,719	901,713	0	0
570	Culture And Recreation	1,030,008	162,674	100,575	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>60,627,975</b>	<b>23,630,830</b>	<b>836,708</b>	<b>44,650</b>
<b>Net Operating Increase (Decrease):</b>		<b>4,514,997</b>	<b>980,525</b>	<b>-128,843</b>	<b>74,127</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	4,671,887	1,038,683	0	15,000
391-393	Debt Proceeds	895,089	0	0	0
397	Transfers-In	3,096,774	65,445	101,267	0
<b>Total Nonoperating Revenues:</b>		<b>8,663,750</b>	<b>1,104,129</b>	<b>101,267</b>	<b>15,000</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	337,040	59,015	0	0
591-593	Debt Service	1,500,843	270	0	0
594-595	Capital Expenditures	7,069,634	21,198	0	10,000
597	Transfers-Out	3,096,774	782,927	0	0
<b>Total Nonoperating Expenditures:</b>		<b>12,004,290</b>	<b>863,410</b>	<b>0</b>	<b>10,000</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>1,174,456</b>	<b>1,221,244</b>	<b>-27,576</b>	<b>79,127</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	31,560,880	0	244,467	211,873
50880	End Fund Balance-Unreserved	6,134,633	6,134,633	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		103 Fair Event	104 Trial Court Improvement	105 Paths & Trails	106 Law Library
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	35,537	141,730	24,611	6,964
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	37,379	0	11,718	0
340	Charges for Goods and Services	276,074	47,988	0	32,359
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	298,115	0	35	0
Total Operating Revenues:		611,569	47,988	11,753	32,359
Operating Expenditures					
510	General Government	0	45,564	0	35,880
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	584,065	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	748,285	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		1,332,350	45,564		35,880
Net Operating Increase (Decrease):		-720,781	2,424	11,753	-3,521
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	50,000	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	714,583	0	0	0
Total Nonoperating Revenues:		764,583			
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	50,000	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		50,000			
Increase (Decrease) in Cash and Investments		-6,198	2,424	11,753	-3,521
Ending Cash and Investments					
50810	End Fund Bal-Reserved	29,338	144,154	36,363	3,443
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		107 Affordable Housing	108 Sheriff's Law Enforcement	109 Crime Victim Penalty Assm	110 Roads
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	431,319	116,264	2,987	3,769,380
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	5,592,058
320	Licenses & Permits	0	0	0	2,300
330	Intergovernmental Revenues	0	6,260	21,571	5,423,488
340	Charges for Goods and Services	72,994	0	45,297	245,476
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	425	0	0	7,601
Total Operating Revenues:		73,419	6,260	66,868	11,270,923
Operating Expenditures					
510	General Government	0	0	67,857	98,329
520	Public Safety	0	4,773	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	10,565,179
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			4,773	67,857	10,663,508
Net Operating Increase (Decrease):		73,419	1,487	-989	607,415
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	1,059,354
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:					1,059,354
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	4,099,256
597	Transfers-Out	0	0	0	1,062
Total Nonoperating Expenditures:					4,100,318
Increase (Decrease) in Cash and Investments		73,419	1,487	-989	-2,433,549
Ending Cash and Investments					
50810	End Fund Bal-Reserved	504,738	117,750	1,999	1,335,830
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.



BARS Code		111 Treasurer's M & O	112 Stadium & Tourism	114 Veterans Relief	116 Election Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	241,102	959,506	75,932	30,303
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	15,360	1,016,556	44,302	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	819	0
340	Charges for Goods and Services	112,299	0	0	40,707
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	347	0	0
Total Operating Revenues:		127,659	1,016,903	45,122	40,707
Operating Expenditures					
510	General Government	99,626	0	0	8,759
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	110,461	0	0
560	Social Services	0	0	35,188	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		99,626	110,461	35,188	8,759
Net Operating Increase (Decrease):		28,033	906,442	9,933	31,948
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	297,466	3,340	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:			297,466	3,340	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	15,000
591-593	Debt Service	0	0	0	36
594-595	Capital Expenditures	0	334,326	0	13,225
597	Transfers-Out	0	864,115	0	0
Total Nonoperating Expenditures:			1,198,441		28,261
Increase (Decrease) in Cash and Investments		28,033	5,467	13,273	3,687
Ending Cash and Investments					
50810	End Fund Bal-Reserved	269,136	964,973	89,205	33,991
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		117 Ab Landfill Postclosure	118 ORV Park	129 Public Health & Social Svcs	130 RE Excise Tax Technology
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,006,435	6,043	606,716	146,213
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	5,640	0
330	Intergovernmental Revenues	0	0	2,170,671	0
340	Charges for Goods and Services	0	0	668,802	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	13,078	23,100	280,334	0
Total Operating Revenues:		13,078	23,100	3,125,447	
Operating Expenditures					
510	General Government	0	0	665,851	1,375
520	Public Safety	0	0	0	0
530	Utilities	279,108	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	2,835,146	0
570	Culture And Recreation	0	18,474	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		279,108	18,474	3,500,997	1,375
Net Operating Increase (Decrease):		-266,030	4,626	-375,550	-1,375
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	122,040	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	923,803	0
Total Nonoperating Revenues:		122,040		923,803	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	100,000	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	277,132	0	9,577	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		377,132		9,577	
Increase (Decrease) in Cash and Investments		-521,122	4,626	538,676	-1,375
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,485,313	10,669	1,145,391	144,838
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		131 Tax Refund	135 Emergency Communications Tax	139 Chem Dep/MH/Therapy Court	140 Mental Health
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	14,284	0	2,219,083	8,570,498
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	1,374,587	858,774	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	2,667,167
340	Charges for Goods and Services	0	0	0	5,827,391
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	112	2,123	7,392
Total Operating Revenues:			1,374,699	860,898	8,501,949
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	1,374,699	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	73,306	7,173,840
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			1,374,699	73,306	7,173,840
Net Operating Increase (Decrease):		0	0	787,591	1,328,109
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	79,688
Total Nonoperating Revenues:					79,688
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	40,625	317,182
Total Nonoperating Expenditures:				40,625	317,182
Increase (Decrease) in Cash and Investments		0	0	746,966	1,090,615
Ending Cash and Investments					
50810	End Fund Bal-Reserved	14,284	0	2,966,049	9,661,113
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		145 Homeless Housing	201 LTGO Refunding Bonds 2012	205 LTGO Bonds 2003	206 LOCAL Program Fin-Energy
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,666,142	0	0	0
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	362,244	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	2,372	0	0	0
Total Operating Revenues:		364,615			
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	176,525	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		176,525			
Net Operating Increase (Decrease):		188,091			
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	672,874	72,960	5,562
Total Nonoperating Revenues:			672,874	72,960	5,562
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	672,874	72,960	5,562
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:			672,874	72,960	5,562
Increase (Decrease) in Cash and Investments		188,091	0	0	0
Ending Cash and Investments					
50810	End Fund Bal-Reserved	1,854,233	0	0	0
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		207 LOCAL Program Fin-Jail Sec	301 Facilities Capital	303 Fair Bldg Construction	307 Cumula Res Construction
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	3	74,351	1,094,853
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	1,512	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	0	20,000	180,094
Total Operating Revenues:				21,512	180,094
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):			0	21,512	180,094
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	35,617	0	100,000
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	3,215	141,457	101,859	0
Total Nonoperating Revenues:		3,215	177,074	101,859	100,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	19,945	93,081	0
591-593	Debt Service	3,215	1,191	8,778	0
594-595	Capital Expenditures	0	155,938	29,947	0
597	Transfers-Out	0	0	0	595,007
Total Nonoperating Expenditures:		3,215	177,074	131,805	595,007
Increase (Decrease) in Cash and Investments		0	0	-8,435	-314,913
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	3	65,916	779,940
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		309 Capital Improvements	310 Distressed Area Capital	401 Solid Waste	402 Hogan's Corner Water System
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	202,480	1,163,456	784,298	139,484
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	317,272	782,325	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	241,880	0
340	Charges for Goods and Services	0	2,700	3,424,003	221,646
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	40	708	8,134	142
Total Operating Revenues:		317,311	785,733	3,674,017	221,788
Operating Expenditures					
510	General Government	0	0	2,555	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	3,554,494	71,715
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	149,102	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			149,102	3,557,049	71,715
Net Operating Increase (Decrease):		317,311	636,631	116,968	150,073
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	50,000
Total Nonoperating Revenues:					50,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	120,831	0	160,074
594-595	Capital Expenditures	0	0	55,393	0
597	Transfers-Out	187,633	306,576	0	0
Total Nonoperating Expenditures:		187,633	427,408	55,393	160,074
Increase (Decrease) in Cash and Investments		129,678	209,224	61,575	39,999
Ending Cash and Investments					
50810	End Fund Bal-Reserved	332,159	1,372,679	845,873	179,483
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		403 Tax Title Management	404 PB Sewer M&O	405 PB/Moclips Water Sys M&O	406 North Beach Water System
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	1,954,340	1,743,205	647,156	36,615
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	7,397	0	20	0
320	Licenses & Permits	4,658	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	25,039	507,765	408,566	85,453
350	Fines & Penalties	0	3,786	0	0
360	Miscellaneous Revenues	160,194	65,815	1,300	-2
Total Operating Revenues:		197,288	577,367	409,886	85,451
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	523,848	447,932	73,828
540	Transportation	0	0	0	0
550	Natural and Economic Environment	1,001,696	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		1,001,696	523,848	447,932	73,828
Net Operating Increase (Decrease):		-804,408	53,519	-38,046	11,623
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	1,814,616	0	0	0
391-393	Debt Proceeds	0	895,089	0	0
397	Transfers-In	0	79,062	0	0
Total Nonoperating Revenues:		1,814,616	974,151	0	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	454,558	0	0
594-595	Capital Expenditures	307,270	1,044,572	3,439	0
597	Transfers-Out	590	495	0	0
Total Nonoperating Expenditures:		307,860	1,499,626	3,439	
Increase (Decrease) in Cash and Investments		702,348	-471,957	-41,485	11,623
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,656,688	1,271,249	605,671	48,238
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		501 Equip Rental & Revolving	503 Central Services	504 Management Services
Beginning Cash and Investments				
30810	Beg Fund Bal-Reserved	1,428,505	501,825	361,257
30880	Beg Fund Bal-Unreserved	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0
Operating Revenues				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	848,179	964,274	1,225,918
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	2,549,718	30,970	154
Total Operating Revenues:		3,397,897	995,244	1,226,072
Operating Expenditures				
510	General Government	954,483	910,396	1,197,397
520	Public Safety	51,462	0	0
530	Utilities	0	0	0
540	Transportation	2,174,586	0	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		3,180,531	910,396	1,197,397
Net Operating Increase (Decrease):		217,366	84,848	28,675
Nonoperating Revenues				
370, 380, 395, 398	Other Financing Sources	35,771	100,000	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	0	25,000	60,000
Total Nonoperating Revenues:		35,771	125,000	60,000
Nonoperating Expenditures				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	493	0
594-595	Capital Expenditures	544,554	163,807	0
597	Transfers-Out	562	0	0
Total Nonoperating Expenditures:		545,116	164,300	
Increase (Decrease) in Cash and Investments		-291,979	45,548	88,675
Ending Cash and Investments				
50810	End Fund Bal-Reserved	1,136,526	547,374	449,932
50880	End Fund Balance-Unreserved	0	0	0

The accompanying notes are an integral part of this Statement.



## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	621 Personal Property Trust	627 Treasurer's Trust	636 Court Trust Funds
308	Beginning Cash and Investments	2,054,438	222	1,257,991	92,069
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	15,763,831	0	0	0
380-390	Other Increases and Financing Sources	12,377,423	0	2,084,671	3,833,787
510-570	Expenditures	58,928	0	0	0
580-590	Other Decreases and Financing Uses	28,157,121	0	2,092,734	3,777,627
Increase (Decrease) in Cash and Investments		-74,795	0	-8,063	56,160
508	Ending Cash and Investments	1,979,642	222	1,249,928	148,229

BARS Code		637 Inmate Trust Fund	642 Interagency Drug Taskforce	649 Boating Safety Reg Fees	652 State Of Washington
308	Beginning Cash and Investments	17,882	62,395	75,663	435,989
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	9,140	0	15,753,846
380-390	Other Increases and Financing Sources	170,014	60,000	19,073	3,439,509
510-570	Expenditures	0	58,928	0	0
580-590	Other Decreases and Financing Uses	173,169	0	30,865	19,269,949
Increase (Decrease) in Cash and Investments		-3,155	10,212	-11,792	-76,594
508	Ending Cash and Investments	14,727	72,607	63,871	359,394

BARS Code		676 Real Estate Excise - State
308	Beginning Cash and Investments	112,227
388 and 588	Prior Period Adjustments, net	0
310-360	Revenues	845
380-390	Other Increases and Financing Sources	2,770,370
510-570	Expenditures	0
580-590	Other Decreases and Financing Uses	2,812,778
Increase (Decrease) in Cash and Investments		-41,563
508	Ending Cash and Investments	70,664

The accompanying notes are an integral part of this Statement.

**GRAYS HARBOR COUNTY, WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Grays Harbor County was incorporated on May 15, 1915 and operates under the laws of the state of Washington applicable to a county government. The County is a general purpose government and provides the following services: public safety, road improvement, solid waste management, planning and zoning, parks and recreation, judicial administration, health and social services and general administrative services. The County uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The County's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the County:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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

### Capital Projects Funds

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

#### PROPRIETARY FUND TYPES:

### Enterprise Funds

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

### Internal Service Funds

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

#### FIDUCIARY FUND TYPES:

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

### Private-Purpose Trust Funds

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

### Agency Funds

These funds are used to account assets that County holds for others in an agency capacity.

## **B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## **C. Budgets**

The County adopts annual appropriated budgets for all funds. These budgets are appropriated

at the fund level (except the general fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<b>General Fund:</b>			
Assessor	\$1,542,912	\$1,378,038	\$164,874
Auditor	806,810	748,656	58,154
Board Of Equalization	38,584	35,194	3,390
Civil Service	14,431	12,639	1,792
Clerk	670,371	660,385	9,986
Commissioners	476,367	462,161	14,206
Environmental Health	641,732	623,786	17,946
Coroner	286,136	279,636	6,500
Facility Services	982,959	981,319	1,640
Disability	6,532	6,182	350
Boundary Review Board	7,646	4,851	2,795
Extension Agent	215,716	204,729	10,987
District Court	1,215,982	1,163,280	52,702
Juvenile	2,303,315	2,282,283	21,032
Planning & Building	789,322	746,624	42,698
Prosecutor	2,173,425	2,112,440	60,985
Security	328,833	302,208	26,625
Sheriff/Jail	9,207,360	8,918,718	288,642
Superior Court	742,896	741,008	1,888
Treasurer	549,664	541,869	7,795
Public Defense	1,282,340	1,002,233	280,107
Park & Vegetation Mgmt	30,937	28,977	1,960
Advanced Expenditure	214,176	158,438	55,738
Non-Departmental	1,396,255	1,159,350	236,905
<b>Total General Fund <sup>[2]</sup></b>	<b>\$25,924,701</b>	<b>\$24,555,005</b>	<b>\$1,369,696</b>
<b>Miscellaneous Funds:</b>			
Special Projects	\$1,118,253	\$836,708	\$281,545
Auditor's M&O	65,202	54,650	10,552
Fair Event <sup>[1] [2]</sup>	438,938	438,328	610

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
Pavilion <sup>[1]</sup>	255,266	254,327	939
Interim Events <sup>[1]</sup>	113,774	105,630	8,144
Recreation & Activities <sup>[1]</sup>	619,583	608,065	11,518
Trial Court Improvement	54,750	45,564	9,186
Path & Trails	33,000	0	33,000
Law Library	36,513	35,880	633
Affordable Housing	53,000	0	53,000
Sheriff's Law Enforcement <sup>[1]</sup>	21,000	0	21,000
Federal Equitable Sharing <sup>[1]</sup>	127,969	4,773	123,196
Crime Victim Penalty Assm	89,001	67,857	21,144
Roads	16,040,576	14,763,826	1,276,750
Treasurer's M&O	48,000	99,626	(51,626)
Stadium <sup>[1]</sup>	846,305	543,015	303,290
Tourism <sup>[1]</sup>	778,583	765,887	12,696
Veterans Relief	52,692	35,188	17,504
Election Reserve	46,600	37,019	9,581
Landfill Postclosure	785,000	656,241	128,760
ORV Park	29,325	18,474	10,851
Public Health & Social Services	4,009,523	3,510,575	498,948
Real Estate Excise Tax Technology	40,000	1,375	38,625
Emergency Communications Tax	1,507,402	1,374,699	132,703
Chem Dep/MH/Therapy Court	572,579	113,931	458,648
Mental Health <sup>[1]</sup>	6,616,850	6,253,704	363,146
Substance Abuse <sup>[1]</sup>	716,100	541,245	174,855
Developmental Disabilities <sup>[1]</sup>	743,400	625,231	118,169
MH/DDD Levy Tax <sup>[1]</sup>	82,750	70,842	11,908
Homeless Housing	480,000	176,525	303,475
LTGO Refunding Bonds 2012	672,888	672,874	14
LTGO Bonds 2003	73,160	72,960	200
LOCAL Program Fin-Energy	5,562	5,562	0
LOCAL Program Fin-Jail Security	3,216	3,215	1
Facilities Capital	1,713,447	177,074	1,536,373
Fair Bldg Construction	1,306,000	131,805	1,174,195
Cumula Res Construction	900,000	595,007	304,993
Capital Improvements	189,947	187,633	2,314
Distressed Area Capital	963,582	576,510	387,072

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
<b>Solid Waste Plan</b>	4,560,601	3,612,442	948,159
<b>Hogan's Corner Water System</b>	278,757	231,789	46,968
<b>Tax Title Management</b>	1,373,953	1,309,556	64,397
<b>PB Sewer M&amp;O</b> <sup>[1] [2]</sup>	804,525	802,104	2,421
<b>PB Sewer Construction</b> <sup>[1] [2]</sup>	1,600,000	1,537,288	62,712
<b>PB Sewer Bond ULID #7</b> <sup>[1]</sup>	95,305	95,292	13
<b>PB Sewer Bond ULID #8</b> <sup>[1]</sup>	84,000	83,857	143
<b>PB/Moclips Water Sys M&amp;O</b> <sup>[1] [2]</sup>	472,013	451,372	20,641
<b>PB/Moclips Water Sys Bond</b> <sup>[1] [2]</sup>	80	43	37
<b>North Beach Water System</b>	101,757	73,828	27,929
<b>Equip Rental &amp; Revolving</b> <sup>[2]</sup>	4,348,693	4,156,625	192,068
<b>E R &amp; R Replacement</b> <sup>[2]</sup>	673,000	589,093	83,907
<b>Central Services</b> <sup>[2]</sup>	1,228,748	1,084,696	144,052
<b>Management Services</b>	1,328,191	1,197,397	130,794
<b>Total Miscellaneous Funds:</b>	<b>\$59,199,359</b>	<b>\$49,687,207</b>	<b>\$9,512,152</b>
<b>County Totals</b>	<b>\$85,124,060</b>	<b>\$74,242,212</b>	<b>\$10,881,848</b>

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

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

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

The following funds had amendments to their appropriated budgets during 2013:

Fund	Original Appropriation	Amendments	Final Appropriation
<b><u>General Fund</u></b>	\$24,333,532	<b>\$1,591,169</b>	\$25,924,701
<b><u>Miscellaneous Funds</u></b>			
<b>Special Projects</b>	\$956,500	\$161,753	\$1,118,253
<b>Auditor's M&amp;O</b>	170,293	(105,091)	65,202
<b>Fair Event</b>	435,563	3,375	438,938
<b>Recreation &amp; Activities</b>	528,583	91,000	619,583
<b>Trial Court Improvement</b>	38,000	16,750	54,750
<b>Law Library</b>	29,943	6,570	36,513

Fund	Original Appropriation	Amendments	Final Appropriation
Roads	17,569,907	(1,529,331)	16,040,576
Stadium	558,452	287,853	846,305
Tourism	672,583	106,000	778,583
Landfill Postclosure	685,000	100,000	785,000
Public Health & Social Services	3,636,023	373,500	4,009,523
Emergency Communications Tax	0	1,507,402	1,507,402
Chem Dep/MH/Therapy Court	566,479	6,100	572,579
LTGO Refunding Bonds 2012	672,288	600	672,888
LOCAL Program Fin-Energy	0	5,562	5,562
LOCAL Program Fin-Jail Security	0	3,216	3,216
Facilities Capital	123,447	1,590,000	1,713,447
Cumula Res Construction	500,000	400,000	900,000
Tax Title Management	1,331,363	42,590	1,373,953
PB Sewer Construction	1,000,000	600,000	1,600,000
PB/Moclips Water System Bond	100	(20)	80
ER&R Replacement	573,000	100,000	673,000
Central Services	1,068,748	160,000	1,228,748
<b>Total Miscellaneous Amendments</b>		<b>\$3,927,829</b>	
<b>Total Amendments</b>		<b>\$5,518,998</b>	

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

1. **Roads (\$1,529,331)** - Resolution #2013-011: Transfer to decrease budgeted amount for road and street maintenance.
2. **Emergency Communications \$1,507,402**: - Resolution #2013-018: Establish fund to receive and transmit taxes collected for Grays Harbor Communications E911.
3. **Facilities Capital: \$1,590,000** – Resolution #2013-076: Authorize budget for energy retrofit and jail security projects financed by the state LOCAL program.

#### D. Cash

It is the County's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the general fund.

#### E. Deposits

The County's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. **Investments** See Note 2, *Investments*.

G. **Capital Assets**

Capital assets are assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. The capital assets of the County are recorded as expenditures when purchased.

H. **Compensated Absences**

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Maximum allowable accruals are set by union contract.

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees may receive payment for unused sick leave. Maximum allowable accrual and unused sick leave payment is set by union contract.

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

J. **Other Financing Sources or Uses**

The County's *Other Financing Sources or Uses* consist of the sale of County Timber, sale of Fixed Assets, Insurance Recoveries, Interfund Loan proceeds and repayments, Intergovernmental Loan proceeds and repayments.

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

L. **Reserved Fund Balance**

The following table represents funds designated as reserved:

Fund	Name/Purpose	Amount
101	Special Projects	\$244,467
102	Auditor's M&O	211,873
103	County Fair	29,338
104	Trial Court Improvement	144,154
105	Paths & Trails	36,363
106	Law Library	3,443
107	Affordable Housing	504,738
108	Sheriff's Law Enforcement	117,750
109	Crime Victim Penalty	1,999
110	Roads	1,335,830
111	Treasurer's M&O	269,136
112	Stadium/Tourism	964,973



Fund	Name/Purpose	Amount
114	Veteran's Relief	89,205
116	Election Reserve	33,991
117	Aberdeen Landfill Postclosure	1,485,313
118	ORV Park	10,669
129	Public Health	1,145,391
130	REET Electronic Technology	144,838
131	Tax Refund	14,284
139	Chemical Dep/MH & Therapy Court	2,966,049
140	Mental Health	9,661,113
145	Homeless Housing	1,854,233
301	Facilities Capital	3
303	Fair Bldg Construction	65,916
307	Cum. Reserve for Construction	779,940
309	Capital Improvements	332,159
310	Distressed Area Capital	1,372,679
401	Solid Waste Plan	845,873
402	Hogan's Corner Water System	179,483
403	Tax Title Management	2,656,688
404	Pacific Beach Sewer System	1,271,249
405	Pacific Beach/Moclips Water System	605,671
406	North Beach Water System	48,238
501	Equipment R&R	1,136,526
503	Central Services	547,374
504	Management Services	449,932
<b>Total Reserved</b>		<b>\$31,560,880</b>

## **NOTE 2 - INVESTMENTS**

The County's investments are insured, registered or held by the County or its agent in the County's name.

Investments are presented at cost.

Investments by type at December 31, 2013 are as follows:

Type of Investments	GH County Owned Investments	Investments Held by GH County as Agent	Total
<b>Money Market Accts Compensating Balance</b>	\$1,750,000	\$2,000	\$1,752,000
<b>Local Gov't Invest. Pool</b>	30,684,822	33,195,902	63,880,723
<b>Securities</b>	6,998,849	-	6,998,849
<b>Totals</b>	<b>\$39,433,670</b>	<b>\$33,197,902</b>	<b>\$72,631,572</b>

### **NOTE 3 – PROPERTY TAX**

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

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

The County's regular levy for 2013 was \$1.6520461 per \$1,000 on an assessed valuation of \$6,244,148,112 for a total regular levy of \$10,315,621. There was also a levy for Veteran's Relief of \$0.0067262 per \$1,000 totaling \$42,000.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2013 was \$1.7634176 per \$1,000 on an assessed valuation of \$2,623,532,157 for a total road levy of \$4,626,383.

### **NOTE 4 – INTERFUND LOANS**

The following table displays interfund loan activity during 2013:

Borrowing Fund	Lending Fund	Balance 1/01/13	New Loans	Repayments	Balance 12/31/13
<b>Fair Construction</b>	Landfill Post-closure	\$279,241	-	\$93,081	\$186,160
<b>Election Reserve</b>	Auditor's M & O	30,000	-	15,000	15,000
<b>General Fund</b>	Landfill Post-closure	9,015	-	9,015	-
<b>Facilities Capital</b>	Landfill Post-closure	39,775	-	19,945	19,830
<b>Central Services</b>	Landfill Post-closure	-	100,000	-	100,000
<b>Totals</b>		<b>\$358,031</b>	<b>\$100,000</b>	<b>\$137,041</b>	<b>\$320,990</b>

#### **NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for year ended December 31, 2013.

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

<b>Year</b>	<b>GO Bonds</b>	<b>Revenue Bonds</b>	<b>Other Debt</b>	<b>Total Debt</b>
<b>2014</b>	\$746,888	\$179,149	\$560,382	\$1,486,419
<b>2015</b>	744,787	179,148	552,491	1,476,426
<b>2016</b>	782,488	179,149	500,876	1,462,513
<b>2017</b>	783,337	179,149	483,472	1,445,958
<b>2018</b>	779,900	179,149	416,125	1,375,174
<b>2019-2023</b>	3,225,200	262,831	2,008,423	5,496,454
<b>2024-2028</b>	-	-	1,583,536	1,583,536
<b>2029-2031</b>	-	-	513,547	513,547
<b>Totals</b>	<b>\$7,062,600</b>	<b>\$1,158,575</b>	<b>\$6,618,852</b>	<b>\$14,840,027</b>

The County entered into two Local Agency Financing Contracts, Series 2013 on August 22, 2013 for the purpose of securing funds to finance an Energy Efficiency Retro-fit of County Facilities (\$400,000) and to finance Security Upgrades in the County Jail (\$250,000). These funds are held in escrow by Office of the State Treasurer pending submission of a claim for reimbursement and a Personal Property Certificate. As no reimbursement claims have been submitted by year end, funds held in escrow as of December 31, 2013 by the Office of the State Treasurer totaled \$400,000 and \$250,000 for the respective projects.

#### **NOTE 6 – PENSION PLANS**

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

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

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

#### **NOTE 7 – POST RETIREMENT HEALTH CARE BENEFITS**

In addition to the pension benefits described in Note 7, and in accordance with the LEOFF Act, the County pays for health insurance and medical costs not covered by insurance for retired full-time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. Substantially all of the County's law enforcement officers who established membership in the LEOFF 1 retirement system may be eligible for these benefits when they reach normal retirement age. The County reimburses retired LEOFF 1 law enforcement officers for reasonable medical charges as described in the LEOFF act. In 2013, 17 retirees received benefits under this Act. As of December 31, 2013, there is one active officer, 57 years of age, who becomes eligible for these benefits when he reaches normal retirement age.

The cost of retiree health care benefits is recognized as an expenditure in the General Fund as claims are paid. For 2013, these costs totaled \$239,329 with an average cost per retiree of \$14,078.

#### **NOTE 8 – RISK MANAGEMENT**

Grays Harbor County is a member of the Washington Counties Risk Pool ("Pool"). Other Washington counties that are Pool members include: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield and Island, Jefferson, Kittitas, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having voluntarily terminated their memberships beginning October 1<sup>st</sup> of 2010, 2002 and 2003 respectively.

**Background:** The Pool was formed August 18, 1988 after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide member counties with "joint" programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling, and risk management. Washington's pools operate under the state's "pooling" laws and regulations, more specifically, RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor's Office.

Noteworthy is the definition of “insurer” within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

*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.*

Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

The Pool’s mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims. Its core values 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 of directors 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.

A Membership Compact was added as an addendum to the Interlocal Agreement in 2000. It 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. It obligates 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 any costs to analyze the member’s loss data and risk profile, but they are normally only required to contribute their proportional shares on their entry year’s insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew 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 Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3<sup>rd</sup>-party liability coverage since October 1, 1988 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the \$1 million limit that existed during the Pool’s initial two insuring months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million occurrence limit that has existed since October 1, 2003. (Note: Additional occurrence limits of \$5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.

The initial \$10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to \$15 million, is acquired as “following form” excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000.

Reinsurance is acquired from higher rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention (“SIR”) equal to the greater of the applicable member’s deductible or \$100,000. The reinsuring agreements also include first and second layer corridor elements – to \$1 million and from \$1 to \$2 million – with cumulative (WCRP) retentions of \$2.95 and \$0.65 million and annual aggregate limits of \$40 and \$20 million respectively.

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013, and added to the Pool’s administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years’ decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for *open* claims) increased \$8.1 million during Py2013 to \$250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of \$5.4M, but it represents just 51% of the Py2011 increase of \$16.0M, 46% of the \$17.8M in Py2010, and only 39% of the \$20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as ‘*open*’ at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported (“IBNR”), the Pool’s estimated ultimate claims totaled 19,539 as of September 30, 2013.

The independent actuary’s projection of total reserves for claims that are expected to be the Pool’s responsibility decreased slightly (-1%) from Py2012 to \$14.6 million. This amount includes \$3.4 million (-21% from Py2012) for losses within the Pool’s self-insured retention, \$10.0 million (+7%) for losses subject to the “corridor” programs with the Pool’s reinsurers, \$0.2 million for losses within the Py2013 quota-shared (10%) upper reinsured layer, and \$1.0 million (+3%) for estimated unallocated loss adjustment expenses. *NOTE: The corridor programs involving the WCRP’s first (and now second) layer reinsurers began seven years ago. These programs included an occurrence coverage maximum of \$0.5 million during the first three years, \$1.0 million during the next three years, and of both \$1.0 million and \$2.0 million beginning with Py2013. Occurrence coverage minimums have remained since the corridor program began the greater of the applicable member deductible or \$100,000.*

**Washington Counties Property Program (“WCPP”):** Beginning with Py2006 (October 1, 2005), WCRP added property insurance as a county-by-county option that is jointly-purchased from a consortium of higher rated commercial carriers. Since the initial offering, both participation and the total values of covered properties have nearly doubled. Twenty six WCRP counties with covered properties totaling over \$2.7 billion participated in the optional insuring program during Py2013.

The WCPP includes All Other Peril coverage limits of \$500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverages each include annual aggregate limits of \$200 million. The WCPP coverage also includes

sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism (\$20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles are applicable to losses resulting from catastrophe relevant losses.

There were 15 claims filed during Py2013 by participating counties with loss estimates totaling \$2.6 million and losses paid by fiscal year-end of \$1.5 million. During its initial eight years as a WCRP optional insuring program, there have been 103 WCPP claims filed with to-date incurred losses totaling \$15.5 million and losses paid through fiscal 2013 of \$8.9 million. Considering the fact that to-date WCPP premiums have totaled \$22.2 million, the WCPP's cumulative loss ratio is below 0.7.

**Other Insurances:** Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverages.

**Governance / Oversight:** The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Board, which is made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Pool's Annual Meeting. The board of directors is responsible for a) determining the extent of the 3<sup>rd</sup>-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

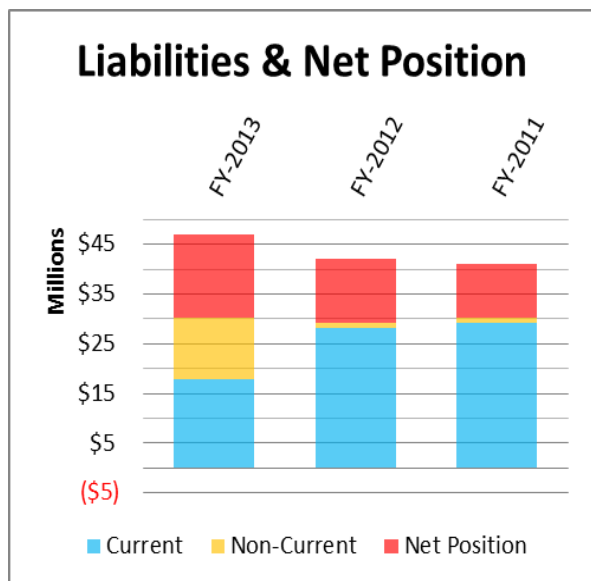
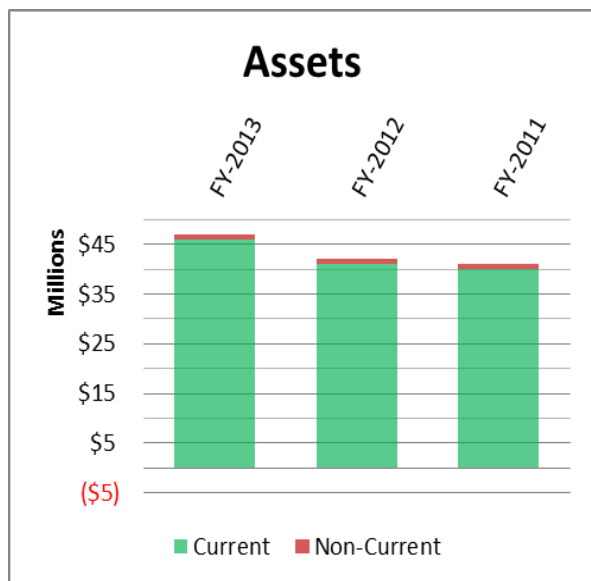
Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the Pool's financial health; b) approve case settlements exceeding the applicable member's deductible by at least \$50,000; c) review all claims with incurred loss estimates exceeding \$100,000; and d) evaluate the Pool's operations and program deliverables as well as the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

**Staffing and Support Teams:** The Pool's multi-person claims staff with years of combined experience handles or oversees the handling of the several hundred liability cases each year filed upon and submitted by the Pool's member counties. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other WCRP staffers provide various member services, e.g. conducting member and potential member risk assessments and compliance audits, coordinating numerous Pool-sponsored trainings, researching other coverages, and marketing the Pool and its risk management services. Some address and support the organization's administrative needs.

Professionals from some of the more respected organizations worldwide are regularly called upon to address various needs of the Pool. More specifically, independent actuarial services are furnished by PricewaterhouseCoopers, LLP. Independent claims auditing is performed by Startegic Claims Direction LLC, and special claims audits are occasionally performed by the Pool's commercial reinsurers/insurers. Insurance producer (broker) and advanced loss control and prevention services are provided by Arthur J. Gallagher Risk Management Services, Inc.. Coverage counsel is furnished by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend the numerous Pool-covered cases, as well as the examinations by and services from both the State Risk Manager and State Auditor's Offices.

**Financial Summary:** During fiscal 2013, Pool assets grew 11% (+\$4.8 million) and liabilities by 3% (+\$1.0 million). Its net (financial) position, which is commonly referred to as "net assets" and sometimes as "owners' equity", improved 30% (+\$3.9 million) during the Pool's Silver Anniversary year to \$16.7 million as of September 30, 2013. Much of the net position is 'restricted' (\$12.5 million) to address the Board of Directors' recently revised requirements in section D of its Underwriting Policy. *NOTE: This policy revision resulted in the Pool's own restriction increasing \$7.5 million (+187%) and the unrestricted declining \$3.8 million (-53%). The (State Risk Manager's) solvency provisions in WAC 200.100.03001(3) required \$0.9 million for satisfaction, a year-over-year increase of \$0.1 million (+15%).* Another \$0.9 million is invested in capital assets (net of debt). The remaining \$3.3 million is unrestricted.

\$3.75 million in operating income was experienced during Py2013, an increase of 111% from Py2012. Operating revenues were 'flat', but expenses declined nearly \$2.0 million (-15%). This reduction was in part due to even more favorable adjustments by the independent actuary, PricewaterhouseCoopers LLP ("PwC"), to the Pool's claims-related reserves, and to the reduction (-26%) in the premiums to acquire the reinsurance, excess insurance and property insurance policies requested by the Board.





**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) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO (\$0) as there were no known contingent liabilities at that time.

#### **NOTE 9 – JOINT VENTURE**

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

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

Activity for the year ended December 31, 2013 is as follows:

	Total	County
Revenue	\$179,280	\$95,925
Expenditures	\$457,828	\$329,711

#### **NOTE 10 – LANDFILL POST-CLOSURE AGREEMENT**

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

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

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

The minimum post-closure period is 20 years; however, post-closure activities will be required for as long as the Landfill is producing contaminated leachate or landfill gas. The County used a 30-year factor when establishing the increase of current tipping fees to fund the post-closure activities. Post-closure costs are estimated by the County to decrease from \$250,000 per year to approximately \$120,000 per year as the result of the installation of a leachate pipeline in 2013. This amount is subject to change due to inflation, technology, and or regulation. Accumulated funds from the increase in tipping fees, which ceased when the Landfill closed during 1994, are anticipated to fully pay for the post-closure costs throughout the monitoring period.

#### **NOTE 11 – INTERGOVERNMENTAL AGREEMENT**

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

#### **NOTE 12 – OTHER DISCLOSURES**

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

Grays Harbor Energy, LLC (GHE) asserts various claims for personal property tax refunds for claimed overpayments for years 2005 to 2013, with the County substantially prevailing in the State Board of Tax Appeals claims in 2009 and 2010. The parties engaged in mediation on July 16, 2014, resulting in a tentative global settlement of all property tax appeal claims by GHE, both before the superior court and the State Board of Tax Appeals. The settlement resolves the property tax valuation issues for claims for 2005 through 2014, and eliminates potential tax refund liabilities for those years. The County anticipates execution of a final settlement document and dismissal of all property tax claims by GHE during August 2014.

##### **Miscellaneous Claims**

The County is occasionally the defendant in various claims including building code enforcement actions, emotional distress, dog bites and slip and falls. There are currently 11 outstanding or possible claims of this type which the county is defending and expects to prevail or have dismissed for lack of merit.

##### **Budget Compliance**

There were no expenditures exceeding legal appropriations in the funds of the County, except in the following fund. The Treasurer's M & O fund overspent their budget \$51,626. This fund operates as a revolving fund and is not subject to budgetary limitations.

##### **Court and Inmate Trust Funds**

Superior Court, District Court and Sheriff's Office maintain a separate bank account for moneys held in trust. The Court Trust and the Inmate Trust have been added to the Statement C-5 for 2013.

**Grays Harbor County**

## Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>General Obligations</b>							
	263.81	PWTF Loan 1997	7/1/2017	322,368		64,474	257,894
	263.81	SRF Loan, 1996	5/15/2016	101,716		29,062	72,654
	263.81	DWSRF 2009	10/1/2028	2,207,916		137,995	2,069,921
	263.81	CERB Loan 1994 T93-022	1/1/2015	106,381		36,040	70,341
	263.81	CERB Loan C2001-141	7/22/2022	367,399		35,117	332,282
	251.11	Limited Tax GO Bonds 2003	12/1/2013	70,000		70,000	0
	263.81	CERB Loan C1999-122PW	7/23/2023	418,972		34,430	384,542
	251.11	Limited Tax GO Bonds 2012	12/1/2023	6,750,000		520,000	6,230,000
	263.81	PWTF Loan 2012	6/1/2031	2,325,174	895,089	169,488	3,050,776
	259.11	Compensated Absences Liability-Govtl		1,536,631		24,490	1,512,141
<b>Total General Obligations:</b>				<b>14,206,557</b>	<b>895,089</b>	<b>1,121,094</b>	<b>13,980,553</b>
<b>Revenue Obligations</b>							

The accompanying notes to the financial statements are an integral part of this schedule

**Grays Harbor County**

Schedule 09

## Schedule of Liabilities

For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
	252.11	Water & Sewer Revenue Bonds 1999	6/22/2019	561,459		70,026	491,433
	252.11	Sewer Revenue Bonds 2000	5/5/2020	553,053		58,970	494,083
	259.12	Compensated Absences Liability-Prop		327,354		14,718	312,636
<b>Total Revenue Obligations:</b>				<b>1,441,866</b>	<b>895,089</b>	<b>143,714</b>	<b>1,298,152</b>
<b>Total Liabilities:</b>				<b>15,648,423</b>	<b>1,264,808</b>		<b>15,278,705</b>

The accompanying notes to the financial statements are an integral part of this schedule

# **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2013**

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture	National School Lunch Program	10.555			40,539	40,539	
Food And Nutrition Service, Department Of Agriculture/WA St Dept of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16885	368,770		368,770	
Food And Nutrition Service, Department Of Agriculture/WA St Dept of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16885	23,368		23,368	
<b>Total CFDA 10.557</b>				<b>392,138</b>	<b>0</b>	<b>392,138</b>	
Food And Nutrition Service, Department Of Agriculture/WA St Dept of Health	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C16885	109,666		109,666	
Food And Nutrition Service, Department Of Agriculture/WA St Dept of Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16885	240		240	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Forest Service, Department Of Agriculture/	Schools and Roads - Grants to States	10.665	09-PA-11060900-017 (Title II Funds)		22,317	22,317	
Forest Service, Department Of Agriculture/	Schools and Roads - Grants to States	10.665	Title III - County Projects		53,948	53,948	3, 4
Forest Service, Department Of Agriculture	Schools and Roads - Grants to States	10.665	Title I funds		382,883	382,883	5
<b>Total CFDA 10.665</b>				<b>0</b>	<b>459,148</b>	<b>459,148</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA St Dept of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-006	16,001		16,001	3
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA St Dept of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	12-65400-003	82,327		82,327	3d
<b>Total CFDA 14.228</b>				<b>98,328</b>	<b>0</b>	<b>98,328</b>	
/Washington State Patrol		16.000	C130900FED	1,000		1,000	
Criminal Division, Department Of Justice/Organized Crime Drug Enforcement Task Force	Joint Law Enforcement Operations (JLEO)	16.111	PA-WAW-0263	2,632		2,632	3
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2012APBX0848		3,007	3,007	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	BUBX11057539		820	820	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Bureau Of Justice Assistance, Department Of Justice/WA St Dept of Commerce/City of Aberdeen	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M12-34021-001	24,978		24,978	
Bureau Of Justice Assistance, Department Of Justice/WA St Dept of Commerce/City of Aberdeen	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-31440-001	15,509		15,509	
Bureau Of Justice Assistance, Department Of Justice/WA St. Dept of Commerce/City of Aberdeen	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M13-34021-001	28,469		28,469	
		<b>Total CFDA 16.738</b>		<b>68,956</b>	<b>0</b>	<b>68,956</b>	
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	DTFH70-12-E- 00010		222,893	222,893	
Federal Highway Administration (fhwa), Department Of Transportation/WA St Dept of Transportation	Highway Planning and Construction	20.205	BROS-2014 (077)LA-7936	24,097		24,097	
Federal Highway Administration (fhwa), Department Of Transportation/WA St Dept of Transportation	Highway Planning and Construction	20.205	BROS-2014 (076)LA-7935	143,514		143,514	
Federal Highway Administration (fhwa), Department Of Transportation/WA St Dept of Transportation	Highway Planning and Construction	20.205	STPD-2014 (075)	52,583		52,583	
Federal Highway Administration (fhwa), Department Of Transportation/WA St Dept of Transportation	Highway Planning and Construction	20.205	LA-5816	25,775		25,775	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Highway Administration (fhwa), Department Of Transportation/WA St Dept of Transportation	Highway Planning and Construction	20.205	BROS-2014 (068)LA-5822	457,693		457,693	
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	DTFH70-06-E-00002		1,600	1,600	
<b>Total CFDA 20.205</b>				<b>703,662</b>	<b>224,493</b>	<b>928,155</b>	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	State and Community Highway Safety	20.600	2011ST	22,041		22,041	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	State and Community Highway Safety	20.600		499		499	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	State and Community Highway Safety	20.600		790		790	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	State and Community Highway Safety	20.600		4,506		4,506	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	State and Community Highway Safety	20.600		23,275		23,275	
<b>Total CFDA 20.600</b>				<b>51,111</b>	<b>0</b>	<b>51,111</b>	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule



National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	MOU	17,301		17,301	3a
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA St Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	MOU	4,791		4,791	3b
Office Of Water, Environmental Protection Agency/WA St Dept of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C16885	500		500	
Office Of Water, Environmental Protection Agency/WA St Dept of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C16885	1,500		1,500	
		<b>Total CFDA 66.468</b>		<b>2,000</b>	<b>0</b>	<b>2,000</b>	
Office Of Water, Environmental Protection Agency/WA St Dept of Health	Beach Monitoring and Notification Program Implementation Grants	66.472	C16885	9,000		9,000	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Public Health Emergency Preparedness	93.069	C16885	98,016		98,016	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C16885	2,218		2,218	
Office Of Population Affairs, Department Of Health And Human Services/WA St Dept of Health	Family Planning_Services	93.217	C16885	45,990		45,990	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Grants to States to Support Oral Health Workforce Activities	93.236	C16885	25,500	25,500	25,500	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA St Dept of Social & Health Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1263-66379	203,783	203,783	203,783	3
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Immunization Cooperative Agreements	93.268	C16885	28,747	28,747	28,747	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C16885	1,772	1,772	1,772	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C16885	9,435	9,435	9,435	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C16885	8,190	8,190	8,190	
		<b>Total CFDA 93.283</b>		<b>19,397</b>	<b>19,397</b>	<b>19,397</b>	
Office Of The Secretary, Department Of Health And Human Services/WA St Dept of Health	Pregnancy Assistance Fund Program	93.500	C16885	33,953	33,953	33,953	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	C16885	302,529		302,529	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16885	13,808		13,808	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16885	5,604		5,604	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16885	737		737	
<b>Total CFDA 93.539</b>				<b>20,150</b>	<b>0</b>	<b>20,150</b>	
Administration For Children And Families, Department Of Health And Human Services/WA St. Dept of Social & Health Services	Child Support Enforcement	93.563	2110-81159	230,006		230,006	
Administration For Children And Families, Department Of Health And Human Services/WA St. Dept of Social & Health Services	Child Support Enforcement	93.563	2110-81159	42,081		42,081	
<b>Total CFDA 93.563</b>				<b>272,087</b>	<b>0</b>	<b>272,087</b>	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA St Health Care Authority	Medical Assistance Program	93.778	K760	3,056		3,056	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA St Health Care Authority	Medical Assistance Program	93.778	1166-33932	6,250		6,250	
<b>Total CFDA 93.778</b>				<b>9,306</b>	<b>0</b>	<b>9,306</b>	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Office Of The Secretary, Department Of Health And Human Services/WA St Dept of Health	National Bioterrorism Hospital Preparedness Program	93.889	C16885	2,500		2,500	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA St Dept of Social & Health Services	Block Grants for Community Mental Health Services	93.958	1169-35580	51,420		51,420	3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA St Dept of Social & Health Services	Block Grants for Community Mental Health Services	93.958	1369-76920	5,224		5,224	3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA St Dept of Social & Health Services	Block Grants for Community Mental Health Services	93.958	1169-35580	1,641		1,641	
<b>Total CFDA 93.958</b>				<b>58,285</b>	<b>0</b>	<b>58,285</b>	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA St Dept of Social & Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27303	44,722		44,722	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA St Dept of Social & Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27303	86,789		86,789	
<b>Total CFDA 93.959</b>				<b>131,511</b>	<b>0</b>	<b>131,511</b>	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA St Dept of Health	Preventive Health and Health Services Block Grant	93.991	C16885	10,823		10,823	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	637		637	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	29,156		29,156	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	21,242		21,242	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	10,953		10,953	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	19,873		19,873	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	4,928		4,928	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	587		587	
Health Resources And Services Administration, Department Of Health And Human Services/WA St Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16885	875		875	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Total CFDA 93.994				88,252	0	88,252	
Department Of Homeland Security/WA St Parks and Recreation Commission	Boating Safety Financial Assistance	97.012	LE000-015	22,591		22,591	
Department Of Homeland Security/WA St Military Dept	Emergency Management Performance Grants	97.042	E12-090	21,450		21,450	
Department Of Homeland Security/Thurston County	Homeland Security Grant Program	97.067		755		755	
Department Of Homeland Security/WA St Military Dept	Homeland Security Grant Program	97.067	E13-231	27,376		27,376	3c
Total CFDA 97.067				28,131	0	28,131	
Total Federal Awards Expended:				2,886,042	728,006	3,614,050	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

GRAYS HARBOR COUNTY, WASHINGTON  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, may be more than shown.

NOTE 3 – AMOUNTS AWARDED TO SUBRECIPIENTS

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

- (a) \$6,091 was passed through to subrecipients.
- (b) \$1,371 was passed through to subrecipients.
- (c) \$24,019 was passed through to subrecipients.
- (d) \$79,594 passed through to subrecipients.

NOTE 4 – TITLE III – COUNTY PROJECTS FUNDING

This amount includes 2012 expenditures of \$17,600.

NOTE 5 – TITLE I – SCHOOLS AND ROADS FUNDING

This is the first year this funding has been included on this schedule. The amount shown includes \$198,724 for 2012.



# Corrective Action Plan for Findings Reported Under OMB Circular A-133

## Grays Harbor County Grays Harbor January 1, 2013 through December 31, 2013

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 Grays Harbor County. The State Auditor's Office has reviewed the information as presented by the County.

<b>Finding ref number:</b> 1	<b>Finding caption:</b> The County did not have adequate internal controls to ensure compliance with reporting requirements for its Title III, Schools and Roads federal grant.
<b>Name, address, and telephone of auditee contact person:</b> Melinda Raihl, Chief Deputy Auditor 100 W. Broadway Montesano, WA 98563 (360) 964-1559	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The County had a retirement in staff resulting in the missed deadline to submit the certifications. The situation has been resolved and both certifications for 2012 and 2013 were immediately filed. Current County staff has been notified of the federal reporting requirement to ensure future certifications will be submitted by the due date. It is important to note all funds expended in both years were used for authorized purposes.</i>	
<b>Anticipated date to complete the corrective action:</b> July 23, 2014	

<b>Finding ref number:</b> 2	<b>Finding caption:</b> The County did not have adequate internal controls to ensure compliance with allowable cost principles for its Women, Infants and Children (WIC) program.
<b>Name, address, and telephone of auditee contact person:</b> Melinda Raihl, Chief Deputy Auditor 100 W. Broadway Montesano, WA 98563 (360) 964-1559	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Problem: The Grays Harbor Public Health and Social Services Department applied the indirect cost allocation percent against all Women, Infants and Children (WIC) program direct expenses instead of just direct salaries as the plan indicated. The problem derived from the longstanding use of the Department of Health forms, which required cost allocation applied to all direct program costs. As a result, using SAO criteria, the program was over charged for indirect costs by \$10,549.</i>	

*Desired Outcome: This corrective action plan will first, stop charging indirect costs on all direct expenses for programs that have been charged this calculated rate. Second, the department will verify and correct over payments and then third, accurately apply the County indirect cost rate on direct salaries only until a new plan has been adopted by the Board of County Commissioners. That plan will be submitted to the Department of Health and other entities and will be used to calculate and charge programs a fair and accurate indirect cost rate.*

*Action steps:*

*6. Stop charging indirect costs on all direct expenses.*

- a. On August 13, 2014 all managers were notified that starting immediately (July 2014 program billings) the "County Indirect Cost Rate" charged against programs would cease.*

*7. Contact the Washington State Department of Health*

- a. Work with Women, Children & Infants program staff to pay back the over charge of \$10,549.00 for fiscal year 2013.*

*8. Calculate 2014 eligible salary expenditures for federal grants*

- a. Re-calculate indirect costs based on eligible salary expenditures for 2014 to ensure that no overpayments have been received. If they have, the funds will be returned promptly or, if possible, charging for indirect costs will be halted until overage has been eliminated.*

*9. Properly apply the County indirect cost rate to direct salaries*

- a. For the remainder of 2014 if a program hasn't been over charged for indirect costs the department will charge the County Indirect Cost Rate of 12.61% on direct salaries only for the remainder of the year.*

*10. 2015 and beyond*

- a. For 2015 the Public Health and Social Services Department will use the County's Indirect Cost Rate as per the Omni Circular approved general rate of 10% on all grants that permit indirect cost reimbursement.*

**Anticipated date to complete the corrective action:** Immediately

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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