



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### Jefferson County

**For the period January 1, 2015 through December 31, 2015**

**Published September 26, 2016**

**Report No. 1017530**





## Washington State Auditor's Office

September 26, 2016

Board of Commissioners  
Jefferson County  
Port Townsend, Washington

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

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Schedule Of Audit Findings And Responses.....	6
Summary Schedule Of Prior Audit Findings .....	12
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 .....	14
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance .....	17
Independent Auditor’s Report On Financial Statements .....	20
Financial Section.....	23
Corrective Action Plan For Findings Reported Under Uniform Guidance .....	53
About The State Auditor’s Office.....	54

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Jefferson County January 1, 2015 through December 31, 2015

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

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

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

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

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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

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

See finding 2015-001.

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

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Jefferson County January 1, 2015 through December 31, 2015

#### **2015-001    The County did not have adequate controls in place to ensure accurate financial reporting.**

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

It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Our prior audit reported a significant deficiency in the County's internal controls over financial reporting for fiscal year 2014. Although the County has taken some steps towards resolving previously identified deficiencies, our audit found deficiencies in internal controls that continue to adversely affect the County's ability to produce reliable financial statements.

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

We identified the following deficiencies in internal controls over accounting and financial reporting that, when taken together, represent a significant deficiency:

- The Treasurer's and Auditor's general ledgers did not include all bank accounts and financial activity of the County.
- No global reconciliation was performed between total ending cash and investments on the Treasurer's general ledger and total ending cash and investments on the bank statements.
- No global reconciliation was performed between revenues and expenditures on the general ledger and financial activity on the bank statements. Adequate compensating controls were not in place to ensure that reported revenues and expenditures reflected all financial activity of the County.
- Staff responsible for financial statement preparation lacked the technical knowledge and experience necessary to ensure the financial statements and notes were prepared accurately and in accordance with the Budgeting, Accounting and Reporting Systems (BARS) Manual.

- The secondary review of financial statements and notes was not effective to ensure the financial statements and notes were accurate and presented in accordance with the BARS Manual.

### *Cause of Condition*

Although the County has taken some steps towards addressing prior audit recommendations, current processes are still not effective in detecting errors and ensuring accurate financial reporting.

The County did not dedicate sufficient resources to design and implement internal control processes to ensure its financial reports were accurate and complete.

The County did not dedicate sufficient resources to ensure staff responsible for financial reporting had adequate training to perform their duties. In addition, the County experienced turnover in the Accountant position responsible for financial reporting.

### *Effect of Condition*

During our audit we identified the following errors, which were not detected by the County:

- The County did not report balances and activity of several bank accounts which were not included in the Treasurer's and Auditor's general ledgers. This resulted in the following amounts being excluded from the financial statements:
  - \$124,793 of beginning cash
  - \$162,347 of ending cash
  - \$3,216,787 of receipts
  - \$3,360,656 of disbursements
- Beginning cash was understated by \$220,907 due to the County reversing the corrections to the fiscal year 2014 ending cash.
- Timber tax receipts and disbursements were overstated by \$1,044,913 and \$1,423,752.
- Total reported revenues were \$1,471,914, or 2.6 percent, less than expected based on bank receipts and known reconciling items.
- Total reported expenditures were \$1,440,824, or 2.7 percent, less than expected based on bank disbursements and known reconciling items.

- The financial statements included several BARS coding misclassifications and likely fund misclassifications.
- The notes to the financial statements included multiple presentation and disclosure errors, including disclosures not updated, tables which did not agree with financial statements and disclosures that were inaccurate or unclear.

### ***Recommendation***

We recommend the County establish and follow effective internal controls to ensure:

- The Treasurer's and Auditor's general ledgers and the County's financial reports include all accounts, cash and financial activity of the County.
- A global reconciliation between all County bank and investment accounts and the Treasurer's general ledger is performed and independently reviewed, to ensure the County's funds are adequately safeguarded and properly accounted for.
- Revenues and expenditures are properly accounted for and reconciling items between bank activity and reported financial activity can be identified.
- Adequate resources and training are provided to staff to ensure financial reporting is accurate, complete and in accordance with the BARS Manual.
- A thorough review of the financial statements, notes and supporting schedules is performed by someone independent of financial statement preparation processes to ensure they are accurate, complete and presented in accordance with requirements.

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

*Jefferson County and staff thank the State Auditor's Office for their time in conducting a thorough and complete audit.*

*The County would also like to thank the State Auditor's Office for acknowledging the improvements the County has made since the last audit. The County is very appreciative of the State Auditor's Office input towards improvement of our policies and procedures.*

*The audit report provided additional information needed to continue research and initiate additional internal controls over interface data from the Treasurer's*



*Office financial software (AS400) to the Auditor's Office financial software (GEMS) for County financial statement preparation.*

*Jefferson County's Auditor's Office, Treasurer's Office and Annual Report Committee (Auditor, Treasurer, Budget Manager, Chief Accountant, Deputy Treasurer) appreciate the opportunity to learn and improve and will continue working as a team researching and finding solutions to the issues.*

*Implementation of the necessary policies and procedures to ensure internal controls are put in place and adhered to is our priority.*

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

We appreciate the County's assistance during the audit and its receptiveness to our recommendations. We will review this area again during our next audit.

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

RCW 43.09.200 – Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budget Accounting and Reporting System Manual - Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section B. Internal Control, states in part:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

Government Auditing Standards, July 2007 Revision - Section 5.11, states in part:

For all financial audits, auditors should report the following deficiencies in internal control:

- a. Significant deficiency: a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
- b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

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 material weaknesses and significant deficiencies 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.

.09 If the auditor has identified one or more deficiencies in internal control, the auditor should evaluate each deficiency to determine, on the basis of the audit work performed, whether, individually or in combination, they constitute significant deficiencies or material weaknesses.

.10 If the auditor determines that a deficiency, or a combination of deficiencies, in internal control is not a material weakness, the auditor should consider whether prudent officials, having knowledge of the same facts and circumstances, would likely reach the same conclusion.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Jefferson County January 1, 2015 through December 31, 2015

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

<b>Audit Period:</b> 1/1/2014-12/31/2014	<b>Report Ref. No:</b> 1015231	<b>Finding Ref. No:</b> 2014-001
<b>Finding Caption:</b> The County did not have adequate controls in place to ensure accurate financial reporting.		
<b>Background:</b> <p>It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.</p> <p>Our audit found that the Treasurer's and Auditor's general ledgers did not include all bank accounts and financial activity of the County, global reconciliations between total cash and investments on the Treasurer's general ledger and total ending cash and investments on the bank statements, or between revenues and expenditures on the general ledger and financial activity on the bank statements.</p> <p>Further, there was no secondary review of reconciliations between individual accounts and the general ledger, or adequate compensating controls in place to ensure reported revenues and expenditures reflect all financial activity of the County.</p> <p>Finally, staff responsible for financial statement preparation lacked the technical knowledge and experience necessary to ensure the financial statements and notes were prepared accurately and in accordance with reporting requirements, and there was no independent secondary review by someone knowledgeable of reporting requirement.</p>		
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Fully Corrected         </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Partially Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Not Corrected         </div> <div style="text-align: center;"> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>		
<b>Corrective Action Taken:</b> <p><i>Below are the issues identified and corrective actions we as a team (Treasurer's &amp; Auditor's offices) have been working on since the 2014 Annual Report Exit Conference. We have utilized the resources available to do this and realize that it is a work in progress. We are committed to continuing our effort to resolve the finding to the satisfaction of the SAO.</i></p> <p><i>Treasurer's &amp; Auditor's GL did not include all bank accounts &amp; financial activity of the County. (a) two bank accounts for JeffCom were under County ID#. Corrected by JeffCom;</i></p>		

*(b) Treasurer's Office compiled all county accounts & will initiate training for account approvals, list of accounts provided to Auditor's Office. (c) Treasurer's office is working on reconciling all bank accounts & financial activity for detailed revenue & composite ins/outs; (d) Auditor's office currently working on doing individual bank account audits & putting in place correct procedures for bank statement reconciliation, second review of reconciliation & separation of duties. Table of checking accounts was added to notes of 2015 Annual Report to show progress toward correction.*

- 1. No global reconciliation or secondary review performed between total ending cash & investments on Treasurer's GL and total ending cash & investments on bank statements. Treasurer's Office is now reconciling total ending cash & investments between GL and bank statements with secondary review. Auditor is reconciling GL with all accounts, cash & financial activity of the county with secondary review.*
- 2. No reconciliation performed between revenues & expenditures on the general ledger & financial activity on bank statements. Adequate compensating controls were not in place. Certain categories were identified to be separated out. Treasurer's office is reviewing on a monthly basis following with Auditor's office full reconciliation once Treasurer's portions are completed.*
- 3. Staff responsible for financial statement preparation lacked the technical knowledge and experience necessary to ensure the financial statements and notes were prepared accurately and in accordance with the Budgeting, Accounting and Reporting Systems (BARS) Manual. 2014 Annual Report accountant not available for questions, corrections, etc. as of 9/30/15. Auditor's office went to training for GASB 68 to be reported in 2015 Annual Report for Schedule 09 and Notes. Staff also attended training at Auditor's Conference in April, 2016. Checklist was used to show who prepared & who performed secondary reviewed portions of annual report. New Accountant started on 7-1-16.*
- 4. Revenues and expenditures are not properly accounted for and reconciling items between bank activity and reported financial activity cannot be identified. Treasurer's and Auditor's offices are working collaboratively to ensure revenues & expenditures are properly accounted for.*

**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**

**Jefferson County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Jefferson County  
Port Townsend, 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 Jefferson County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 20, 2016.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 that we consider to be significant deficiencies.

## COMPLIANCE AND OTHER MATTERS

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

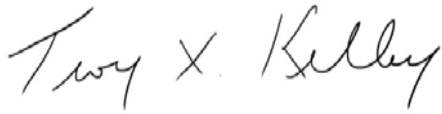
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## COUNTY'S RESPONSE TO FINDINGS

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

## PURPOSE OF THIS REPORT

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 20, 2016



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

**Jefferson County  
January 1, 2015 through December 31, 2015**

Board of Commissioners  
Jefferson County  
Port Townsend, Washington

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

We have audited the compliance of Jefferson County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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

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

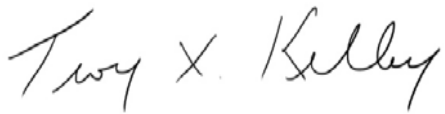
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 20, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Jefferson County January 1, 2015 through December 31, 2015

Board of Commissioners  
Jefferson County  
Port Townsend, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Jefferson County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 23.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Jefferson County, for the year ended December 31, 2015, 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 Jefferson 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 Jefferson County, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

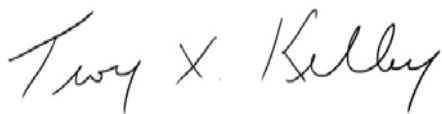
## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016 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

OLYMPIA, WA

September 20, 2016

## **FINANCIAL SECTION**

### **Jefferson County January 1, 2015 through December 31, 2015**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2015  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2015

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

Schedule of Liabilities – 2015  
Schedule of Expenditures of Federal Awards – 2015  
Notes to the Schedule of Expenditures of Federal Awards – 2015

**Jefferson County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>105 Auditor's O&amp;M</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	753,859	-	-
30880	Unreserved	22,428,210	2,859,698	145,094
388 & 588	Prior Period Adjustments, Net	4,143	4,536	-
<b>Operating Revenues</b>				
310	Taxes	18,867,150	12,105,078	-
320	Licenses and Permits	727,359	30,723	-
330	Intergovernmental Revenues	11,466,289	3,338,656	44,965
340	Charges for Goods and Services	11,519,736	1,343,899	25,968
350	Fines and Penalties	511,605	476,910	-
360	Miscellaneous Revenues	1,652,746	1,003,553	149
Total Operating Revenues:		44,744,885	18,298,819	71,082
<b>Operating Expenditures</b>				
510	General Government	10,739,403	8,091,670	86,454
520	Public Safety	7,145,743	6,718,778	-
530	Utilities	2,700,728	9,473	-
540	Transportation	7,349,858	-	-
550	Natural and Economic Environment	2,564,301	169,542	-
560	Social Services	4,667,027	47,433	-
570	Culture and Recreation	1,308,812	145,750	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		36,475,872	15,182,646	86,454
Net Operating Increase (Decrease):		8,269,013	3,116,173	(15,372)
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	2,167,972	477,992	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	3,522,791	84,639	-
Total Nonoperating Revenues:		5,690,763	562,631	-
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	1,066,763	-	-
591-593	Debt Service	1,099,133	-	-
594-595	Capital Expenditures	6,883,922	59,582	24,630
597	Transfers-Out	3,520,306	2,890,006	-
Total Nonoperating Expenditures:		12,570,124	2,949,588	24,630
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>1,389,652</b>	<b>729,216</b>	<b>(40,002)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	777,813	-	-
5088000	Unreserved	23,798,045	3,593,450	105,093
<b>Total Ending Cash and Investments</b>		<b>24,575,858</b>	<b>3,593,450</b>	<b>105,093</b>

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



<b>106 Courthouse Facilitator</b>	<b>107 Boating Safety Program</b>	<b>108 Cooperative Extension</b>	<b>113 4H After School</b>	<b>119 Jeffcom Bond Indebtedness</b>	<b>120 Crime Victims Services</b>
-	-	-	-	-	-
16,034	12,411	119,400	52,476	13,406	83,282
-	-	-	-	-	(643)
-	-	-	-	286,656	-
-	-	-	-	-	-
-	28,002	47,827	-	-	44,631
5,989	-	9,985	-	-	17,732
-	1,986	-	-	-	-
-	-	1,505	-	-	-
5,989	29,988	59,317	-	286,656	62,363
5,363	-	-	-	-	72,081
-	35,959	-	-	-	-
-	-	92,246	-	-	-
-	-	-	-	-	-
-	-	79,638	-	-	-
-	-	-	-	-	-
-	-	267,302	41,239	-	-
-	-	-	-	-	-
5,363	35,959	439,186	41,239	-	72,081
626	(5,971)	(379,869)	(41,239)	286,656	(9,718)
-	-	1,360	-	-	-
-	-	-	-	-	-
-	15,000	266,700	46,129	-	-
-	15,000	268,060	46,129	-	-
-	-	-	-	-	-
-	-	-	-	275,935	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	275,935	-
626	9,029	(111,809)	4,890	10,721	(9,718)
-	-	-	-	-	-
16,658	21,440	7,594	57,366	24,127	72,922
16,658	21,440	7,594	57,366	24,127	72,922

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

<b>123 Grants Management</b>	<b>125 Hotel / Motel</b>	<b>126 H &amp; HS Site Abatement</b>	<b>127 Health</b>	<b>128 Water Quality</b>	<b>130 Mental Health</b>
-	514,149	-	29,741	-	-
34,657	-	43,789	821,121	158,169	9,594
-	-	-	80	-	-
-	376,105	-	44,599	-	44,821
-	-	-	183,960	-	-
69,440	-	-	1,543,786	452,354	-
-	-	-	1,383,203	27,887	-
-	-	14,139	-	-	-
-	600	-	7,487	389,717	23
69,440	376,705	14,139	3,163,035	869,958	44,844
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
69,440	340,478	-	-	683,360	-
-	-	-	4,193,508	-	44,250
-	-	-	-	-	-
-	-	-	-	-	-
69,440	340,478	-	4,193,508	683,360	44,250
-	36,227	14,139	(1,030,473)	186,598	594
-	-	-	2,408	315	2,408
-	-	-	-	-	-
-	-	-	732,357	12,343	-
-	-	-	734,765	12,658	2,408
-	-	-	1,193	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,193	-	-
-	36,227	14,139	(296,901)	199,256	3,002
-	550,375	-	28,548	-	-
34,657	-	57,928	525,487	357,425	12,595
34,657	550,375	57,928	554,035	357,425	12,595

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

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<b>143 Community Development</b>	<b>147 Federal Forest Title III</b>	<b>148 Affordable Housing</b>	<b>150 Treasurer's O&amp;M</b>	<b>151 Treasurer's REET</b>	<b>155 Veterans' Relief</b>
110,964	78,005	-	-	-	-
281,125	-	295,564	29,483	24,372	52,236
-	-	-	-	-	-
-	-	-	-	-	45,385
366,333	-	-	-	-	-
127,963	18,651	-	-	9,788	-
529,072	-	240,675	26,102	5,368	-
-	-	-	-	-	-
20	89	-	36	-	960
1,023,388	18,740	240,675	26,138	15,156	46,345
-	-	-	19,093	8,308	-
380,430	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,035,657	-	130,957	-	-	46,831
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,416,087	-	130,957	19,093	8,308	46,831
(392,699)	18,740	109,718	7,045	6,848	(486)
5,468	-	-	-	-	2,438
-	-	-	-	-	-
526,369	-	-	-	-	15,460
531,837	-	-	-	-	17,898
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	35,809	-	-	10,000	-
-	35,809	-	-	10,000	-
<b>139,138</b>	<b>(17,069)</b>	<b>109,718</b>	<b>7,045</b>	<b>(3,152)</b>	<b>17,412</b>
116,433	60,936	-	-	-	-
414,797	-	405,280	36,528	21,220	69,647
<b>531,230</b>	<b>60,936</b>	<b>405,280</b>	<b>36,528</b>	<b>21,220</b>	<b>69,647</b>

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

<b>160 Water Pollution Control</b>	<b>174 Parks &amp; Recreation</b>	<b>175 County Parks Improvement</b>	<b>177 Special Projects Fund</b>	<b>178 Post Harvest Timber</b>	<b>180 Roads</b>
-	-	-	-	-	-
81,509	236,135	50,944	79,508	9,777	3,831,443
-	-	-	-	-	52
-	-	-	-	-	3,699,251
-	-	-	-	-	139,534
-	-	29,095	-	-	5,416,415
-	117,768	-	-	-	11,096
-	-	-	-	-	-
12,058	45,393	31,206	-	12	3,408
12,058	163,161	60,301	-	12	9,269,704
-	-	-	-	-	2,814
-	-	-	-	-	-
160	-	-	-	-	-
-	-	-	-	-	6,048,899
-	-	-	-	-	-
-	-	-	-	-	-
-	598,805	32,414	-	-	-
-	-	-	-	-	-
160	598,805	32,414	-	-	6,051,713
11,898	(435,644)	27,887	-	12	3,217,991
-	3,966	-	-	-	275,994
-	-	-	-	-	-
-	426,950	-	-	-	104,528
-	430,916	-	-	-	380,522
-	-	-	-	-	-
1,883	-	-	-	-	32,105
-	-	-	-	-	3,532,103
-	20,333	45,000	79,508	-	-
1,883	20,333	45,000	79,508	-	3,564,208
<b>10,015</b>	<b>(25,061)</b>	<b>(17,113)</b>	<b>(79,508)</b>	<b>12</b>	<b>34,305</b>
-	-	-	-	-	-
91,524	211,074	33,831	-	9,789	3,865,801
<b>91,524</b>	<b>211,074</b>	<b>33,831</b>	<b>-</b>	<b>9,789</b>	<b>3,865,801</b>

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

<b>181 Emergency Road Reserve</b>	<b>185 Flood / Stormwater Management</b>	<b>186 Brinnon Flood Subzone</b>	<b>187 Quilcene Flood Subzone</b>	<b>199 County Fair</b>	<b>202 RID Bonds</b>
-	-	-	-	-	-
2,438	10,440	9,849	145,139	37,923	4,392
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	42,436	-
-	-	-	-	79,911	-
-	-	-	-	-	-
3	-	-	-	144,095	6
<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,442</u>	<u>6</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	521	-	7,877	-	-
-	-	-	-	-	-
-	-	-	-	223,302	-
-	-	-	-	-	-
-	521	-	7,877	223,302	-
<u>3</u>	<u>(521)</u>	<u>-</u>	<u>(7,877)</u>	<u>43,140</u>	<u>6</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,650	-
-	-	-	-	4,650	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	9,489	-
-	-	-	-	-	-
-	-	-	-	9,489	-
<u>3</u>	<u>(521)</u>	<u>-</u>	<u>(7,877)</u>	<u>38,301</u>	<u>6</u>
-	-	-	-	-	-
2,441	9,919	9,849	137,262	76,224	4,398
<u>2,441</u>	<u>9,919</u>	<u>9,849</u>	<u>137,262</u>	<u>76,224</u>	<u>4,398</u>

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

<b>204 Debt Service</b>	<b>301 Construction &amp; Renovation</b>	<b>302 Capital Improvement</b>	<b>304 HJ Carroll Park</b>	<b>306 Public Infrastructure</b>	<b>308 Conservation Futures</b>
-	-	-	-	-	-
3,052	671,346	1,284,865	2,191	900,686	381,710
-	-	-	-	-	-
-	-	1,196,929	-	398,214	231,205
-	6,809	-	-	-	-
-	100,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2	115	4	2	1,114	680
<u>2</u>	<u>106,924</u>	<u>1,196,933</u>	<u>2</u>	<u>399,328</u>	<u>231,885</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2</u>	<u>106,924</u>	<u>1,196,933</u>	<u>2</u>	<u>399,328</u>	<u>231,885</u>
1,064,720	-	-	-	-	12,417
-	-	-	-	-	-
-	124,841	880,000	-	-	-
<u>1,064,720</u>	<u>124,841</u>	<u>880,000</u>	<u>-</u>	<u>-</u>	<u>12,417</u>
1,065,570	-	-	-	-	-
-	-	623,850	-	-	-
-	766,131	-	2,191	500,200	108,877
-	-	-	-	205,379	-
<u>1,065,570</u>	<u>766,131</u>	<u>623,850</u>	<u>2,191</u>	<u>705,579</u>	<u>108,877</u>
<b>(848)</b>	<b>(534,366)</b>	<b>1,453,083</b>	<b>(2,189)</b>	<b>(306,251)</b>	<b>135,425</b>
-	-	-	-	-	-
2,204	136,980	2,737,948	2	594,435	517,135
<u>2,204</u>	<u>136,980</u>	<u>2,737,948</u>	<u>2</u>	<u>594,435</u>	<u>517,135</u>

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

<b>401 Solid Waste</b>	<b>405 Tri Area Sewer</b>	<b>501 ER&amp;R</b>	<b>502 Risk Management Reserve</b>	<b>505 Employee Benefit Reserve</b>	<b>506 Informati Services</b>	<b>507 Facilities Management</b>
21,000	-	-	-	-	-	-
1,724,313	817,448	4,219,833	189,121	724,914	1,196,	492,796
-	-	118	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
87,299	-	-	-	-	-	-
2,998,670	-	1,900,527	76,871	199,479	1,554,	954,482
-	-	-	-	-	-	-
2,971	1,054	94	-	5,357	-	10
3,088,940	1,054	1,900,621	76,871	204,836	1,555,	954,492
-	-	-	43,504	108,901	1,243,	1,015,894
-	-	-	-	-	-	-
2,534,843	64,006	-	-	-	-	-
-	-	1,300,959	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,534,843	64,006	1,300,959	43,504	108,901	1,243,	1,015,894
554,097	(62,952)	599,662	33,367	95,935	312,	(61,402)
74,546	-	243,918	-	-	-	-
-	-	-	-	-	-	-
5,604	205,379	-	-	-	69,	2,270
80,150	205,379	243,918	-	-	69,	2,270
-	-	-	-	-	-	-
-	165,360	-	-	-	-	-
162,705	-	1,474,357	-	-	234,	-
17,670	-	-	-	174,717	-	-
180,375	165,360	1,474,357	-	174,717	234,	-
<b>453,872</b>	<b>(22,933)</b>	<b>(630,777)</b>	<b>33,367</b>	<b>(78,782)</b>	<b>147,</b>	<b>(59,132)</b>
21,521	-	-	-	-	-	-
2,177,664	794,515	3,589,174	222,488	646,132	1,343,	433,664
<b>2,199,185</b>	<b>794,515</b>	<b>3,589,174</b>	<b>222,488</b>	<b>646,132</b>	<b>1,343,</b>	<b>433,664</b>

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



**Jefferson County**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>602 Road Improvement Guaranty</b>	<b>606 Drainfield Trust</b>	<b>610 Dispute Resolution Center</b>
308	Beginning Cash and Investments	295,000	5,000	118,013	507
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	28,056	-	170	6,215
380-390	Other Increases and Financing Sources	29,103	-	-	-
510-570	Expenditures	13,544	-	-	-
580-590	Other Decreases and Financing Uses	99,788	-	-	6,330
Net Increase (Decrease) in Cash and Investments:		(56,173)	-	170	(115)
508	Ending Cash and Investments	238,826	5,000	118,183	392

		<b>625 Inmate Commissary Trust</b>	<b>628 Section 125 Administration</b>	<b>629 Animal Svcs Donation Trust</b>	<b>630 Animal Svcs O&amp;M Donation Trust</b>
308	Beginning Cash and Investments	33,248	5,238	147	507
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	21,671	-	-	-
380-390	Other Increases and Financing Sources	-	-	-	-
510-570	Expenditures	13,544	-	-	-
580-590	Other Decreases and Financing Uses	-	-	-	-
Net Increase (Decrease) in Cash and Investments:		8,127	-	-	-
508	Ending Cash and Investments	41,375	5,238	147	507

		<b>638 Treasurer's Suspense</b>	<b>641 JC Community Network</b>
308	Beginning Cash and Investments	108,253	24,087
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	29,103	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	93,458	-
Net Increase (Decrease) in Cash and Investments:		(64,355)	-
508	Ending Cash and Investments	43,897	24,087

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

**Jefferson County**  
**Notes to the Financial Statements**  
**For the year ended 12/31/15**

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

Jefferson County was incorporated on December 22, 1852, and operates under the laws of the state of Washington applicable to a county with a Commissioner form of government. Jefferson County is a general purpose local government and provides public safety, planning and zoning, road improvement, parks and recreation, judicial administration, health and social services and general administrative services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

### Capital Projects Funds

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

#### PROPRIETARY FUND TYPES:

### Enterprise Funds

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

### Internal Service Funds

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

#### FIDUCIARY FUND TYPES:

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

### Private-Purpose Trust Funds

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

### Agency Funds

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

## B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, Jefferson County also recognizes expenditures paid during 20 days after the close of the fiscal year for claims incurred during the previous period.

## C. Budgets

The county adopts annual appropriated budgets for the general, special revenue, capital projects and proprietary funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follows:

<b>Fund/Department</b>	<b>Final Appropriated</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General Fund:			
Assessor	809,551	799,053	10,498
Auditor	563,139	541,759	21,380
Elections	242,496	242,495	1
Clerk	419,214	379,617	39,597
County Administrator	354,780	351,176	3,604
Commissioners	430,639	429,939	700
Board of Equalization	7,392	5,257	2,135
Civil Service	2,120	1,128	992
Planning Commission	33,824	30,157	3,667
Public Safety	170,535	170,518	17
Community Services	182,098	175,567	6,531
District Court	795,307	761,785	33,522
Juvenile Services	957,457	897,521	59,936
Prosecutor	928,662	918,298	10,364
Coroner	48,300	47,266	1,034
Sheriff	5,668,956	5,597,372	71,584
Superior Court	313,740	260,719	53,021
Treasurer	439,717	440,371	(654)
Operating Transfers	2,870,087	2,870,069	18
Non Departmental	3,281,516	3,212,167	69,349
<b>Total General Fund</b>	<b>\$18,519,530</b>	<b>\$18,132,234</b>	<b>\$387,296</b>
Auditor's O&M	147,122	111,084	36,038
Courthouse Facilitator	9,932	5,363	4,569
Boating Safety	48,589	35,959	12,630
Cooperative Extension	441,352	439,186	2,166
4H After School	48,243	41,239	7,004
Jeff Com Capital	275,510	275,935	(425)
Crime Victims	75,495	72,081	3,414
Grants Management	150,000	69,440	80,560
Hotel/Motel	353,283	340,478	12,805
H&HS Site Abatement	18,500	0	18,500
Public Health	4,220,684	4,193,508	27,176
Water Quality	1,205,913	683,360	522,553
Animal Services	0	0	0
Mental Health	44,250	44,250	0

<b>Fund/Department</b>	<b>Final Appropriated</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Chemical Depnd/Mental	424,144	409,320	14,824
JC Drug	19,800	15,976	3,824
Sheriff Drug Invest	3,000	0	3,000
Law Library	10,000	9,414	586
Trial Court Improvement	29,100	16,006	13,094
Public Defense	35,000	35,000	0
Community Development	1,535,466	1,416,087	119,379
Federal Forest Title III	35,809	35,809	0
JC Affordable Housing	203,400	130,957	72,443
Treasurer O&M	47,024	19,093	27,931
REET Technology	20,069	18,308	1,761
Veteran's Relief	59,950	46,831	13,119
Water Pollution Control	3,038	2,043	995
Park & Recreation	628,751	619,138	9,613
Parks Improvement	78,793	77,414	1,379
PW Special Projects	79,508	79,508	0
Post Harvest Timber	3,978	0	3,978
Roads	11,367,730	9,615,918	1,751,812
Emergency Road Reserve	0	0	0
Facilities	1,127,638	1,015,894	111,744
Flood/Stormwater	4,500	521	3,979
Brinnon Flood Control	3,499	0	3,499
Quilcene Flood Control	21,478	7,877	13,601
County Fair	250,000	232,791	17,209
Debt Service	0	1,065,570	(1,065,570)
Construction & Renovation	853,337	766,131	87,206
Co Capital Improvement	741,183	623,850	117,333
HJ Carroll Park	2,191	2,191	0
Public Infrastructure	785,379	705,579	79,800
Conservation Futures	372,973	108,877	264,096
Solid Waste	2,863,162	2,715,218	147,944
Tri Area Sewer	316,544	229,366	87,178
ER&R	3,396,630	2,775,315	621,315
Risk Management	150,000	43,504	106,496
Unemployment Reserve	0	0	0
Industrial Insurance	0	0	0
Employee Benefit Res	314,325	283,618	30,707
Information Services	2,585,760	1,477,558	1,108,202
<b>Total Other Funds</b>	<b>35,412,032</b>	<b>30,917,715</b>	<b>4,494,317</b>

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments by the County Auditor; 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 Jefferson County Board of Commissioners.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 4 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 10 days and is payable upon separation or retirement. Non-represented employees have Paid Time Off (PTO) in lieu of vacation and sick. Year-end carryover of PTO can be 30-60 days depending on length of service.

Sick leave may accumulate up to 1,920 hours. Upon retirement employees receive payment of 25% for unused sick leave.

Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources*:

Amount	Fund #	Fund Name	Description
\$477,992	001	General Fund	Proceeds from sale of fixed assets; compensation for asset loss/impairment; prior period adjustment
1,360	108	Cooperative Extension	Customer deposits, agency type deposits
2,408	127	Public Heath	Proceeds from sale of capital assets
315	128	Water Quality	Proceeds from sale of capital assets
\$2,408	130	Mental Health	Proceeds from sale of capital assets
\$5,468	143	Community Development	Other non-revenues
\$2,438	155	Veterans' Relief	Proceeds from sale of capital assets
\$3,966	174	Parks & Recreation	Proceeds from sale of capital assets Compensation for loss of capital assets
\$275,994	180	County Roads	Proceeds from sale of capital assets; prior period adjustments; compensation for loss of capital assets
\$1,064,720	204	Debt Service	Other Nonrevenues
12,4171	308	Conservation Futures	Proceeds from sale of capital assets
\$74,546	401	Solid Waste	Customer deposits, proceeds from sale of surplus equipment
\$243,918	501	Equipment Rental and Revolving	Proceeds from sale of surplus equipment; insurance recoveries/compensation for lost asset; prior period adjustments.
\$22	506	Information Services	Proceeds from sale of surplus equipment
<b>\$2,167,972</b>	<b>Total</b>		

The government's *Other Financing Uses*:

<b>Amount</b>	<b>Fund #</b>	<b>Fund Name</b>	<b>Description</b>
\$1,193	127	Public Health	Other non-expenditures
\$1,065,570	204	Debt Service	Pass thru fund for Debt Service; Other non-expenditures
<b>\$1,066,763</b>	<b>Total</b>		

I. Risk Management

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

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 26 counties participate in the WCRP.

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2015, Jefferson County selects a per-occurrence deductible of \$25,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the greater of the deductible for the member with the claim or \$100,000. More recent years' reinsurance programs have included "corridor deductibles" with aggregated stop losses which have the effect of increasing the Pool's SIR. For 2014-15, this "corridor" increased the SIR to \$2 million, but with an aggregated stop loss of \$3.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

New members may be asked to pay modest fees to cover the costs to analyze their loss data and risk profiles, and for their proportional shares of the entry year's assessments. New members contract under the

Interlocal Agreement to remain in the Pool for at least five years. Following its initial 60-month term, any member may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files the required advance written notice. Otherwise, the Interlocal Agreement and membership automatically renews for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

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

During 2014-15, Jefferson County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties' buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes 'All Other Perils ("AOP")' coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

During 2014-15, the WCRP's assets grew 3% to \$48.8 million while its liabilities increased slightly to \$29.8 million. The Pool's net position decreased slightly from \$19.4 million to \$18.9 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.



Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2015 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

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

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

The following table represents funds which hold a Reserved Fund Balance:

<b>Fund #</b>	<b>Fund Name</b>	<b>Amount</b>	<b>Description</b>
125	Hotel/Motel	\$550,375	Tax revenues restricted for specific use per RCW 67.28.180
127	Public Health	\$28,548	DSHS Long Term Payable
143	Dept of Community Development	\$116,433	Customer deposits for the CASP (Critical Area Stewardship Program)
147	Federal Forest Title III	\$60,936	Grant revenues received in advance for purposes defined by the grantor
401	Solid Waste	\$21,521	Customer deposits
	<b>Total</b>	<b>\$777,813</b>	

The Board of County Commissioners has set Recommended Fund Balances by resolutions at 10% of spending in the General Fund, and various amounts for certain other funds (see Resolution No. 59-15). These recommended fund balances are presented as unreserved.

#### **Note 2 - 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 the year 2015 was \$1.63748 per \$1,000 on an assessed valuation of \$4,587,247,864 for a total regular levy of \$7,511,527.

The county's road levy for the year 2015 was 1.27722 per \$1,000 on as assessed valuation of \$3,287,866,796 for a total road levy of \$4,199,334.

Of the \$4,199,334 road levy, the county diverted \$720,000 to the General Fund for Sheriff Traffic Deputy's cost per RCW 84.52.043(1) (d).

### **Note 3 – Deposits and Investments**

It is Jefferson County's policy to invest all temporary cash surpluses. Treasurer's Cash is the investing of all temporary cash surpluses, and all interest earned is deposited to current expense. Interest on specific fund investments is distributed to the corresponding fund.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by Jefferson County or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

Type of Investment	Jefferson County's	Investments held by Jefferson County as an Agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 15,611,893	\$53,274,765	\$ 68,886,658
US Government Securities	\$ 6,352,810	0	\$ 6,352,810
Other: Certificates of Deposits	\$ 10,000,000	\$1,000,594	\$ 11,000,594
<b>TOTAL</b>	<b>\$31,964,703</b>	<b>\$54,275,359</b>	<b>\$ 86,240,062</b>

### **Note 4 – Debt Service Requirements**

#### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for year ended December 31, 2015.

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principle and interest are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	801,362	406,540	1,207,901
2017	832,633	407,129	1,239,762
2018	932,394	346,677	1,279,071
2019	538,198	306,678	844,876
2020	556,642	278,992	835,635
2021-2025	2,308,780	988,912	3,297,692
2026-2030	1,698,992	376,834	2,075,827
2031-2046	924,775	39,303	964,078
<b>TOTALS</b>	<b>\$ 8,593,777</b>	<b>\$ 3,151,065</b>	<b>\$ 11,744,842</b>

## **Note 5 – Pension Plans**

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

Substantially all county full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans as follows:

PERS 1	LEOFF 1
PERS 1 UAAL	LEOFF 2
PERS 2/3	PSERS 2

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

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

At June 30, 2015, the county's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.005798%	303,289
PERS 1 UAAL	0.100214%	5,242,124
PERS 2/3	0.116501%	4,162,647
SERS 2/3		
PSERS 2	0.393890%	71,893
LEOFF 1	0.013277%	(160,017)
LEOFF 2	0.066890%	(687,495)
VFFRPF		

#### **LEOFF Plan 1**

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

## LEOFF Plan 2

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

### **Note 6 - Other Disclosures**

Our Annual Report was prepared in compliance with GASB 54, reclassifying Special Revenue & other Funds as applicable. We have done this wherever applicable:

#### **Other Public Employee Benefits**

The County has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. These benefits include medical, dental, vision, Social Security Part B, nursing care, etc. Six retirees received benefits during the year, and \$31,962 was paid out for those benefits during the year.

#### **Fund Closures**

Fund 503, JC Unemployment Reserve, and Fund 504, Industrial Insurance Reserve, were closed 1/1/15. The costs for these services are now included in Fund 505, Employment Benefit Reserve.

#### **Other Disclosures**

### **Jefferson County/JeffCom Relationship**

On October 1, 2012, JeffCom agency became established as a separate entity. Per Jefferson County Resolution 53-12 dated September 4, 2012 the following happened:

two (121-000-010 & 122-000-010) of their existing funds were to be closed;

existing fund (119-000-010) would remain to be used under the direction of the County Treasurer for sales tax collection and bond payments and would be referred to as JeffCom Bond Indebtedness Fund.

In 2015, \$286,656 taxes were collected by Jefferson County into Fund 119 JeffCom Bond Indebtedness Fund.

This revenue collected paid \$275,935 of Debt Service resulting in a net increase of \$10,721 in 2015.

This \$10,721 added to the beginning fund balance of \$13,406 resulted in an ending fund balance of \$24,127 in 2015.

**Jefferson County**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2015**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.81	PW Trust Fund Loan	7/1/2020	157,896	-	26,316	131,580
263.61	Castle Hill Property	12/1/2021	1,453,189	-	172,646	1,280,543
263.81	Water Loan L0700030	12/31/2018	7,282	-	1,780	5,502
251.11	LTGO 2007 - JeffCom	12/1/2026	1,735,000	-	115,000	1,620,000
251.11	LTGO Bond 2011 Tri Area	12/1/2030	1,885,000	-	90,000	1,795,000
251.11	LTGO Bond 2011 JeffCom	12/1/2030	905,000	-	-	905,000
251.11	LTGO Bond 2011 JeffCom RMS	12/1/2018	230,000	-	-	230,000
251.11	LTGO Bond 2011 - DPW	12/1/2018	1,315,000	-	365,000	950,000
263.81	PW Trust Fund Loan	6/1/2046	1,676,155	-	-	1,676,155
<b>Total General Obligation Debt/Liabilities:</b>			<b>9,364,522</b>	<b>-</b>	<b>770,742</b>	<b>8,593,780</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		505,674	-	22,091	483,583
264.30	Net Pension Liability		-	9,779,953	-	9,779,953
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>505,674</b>	<b>9,779,953</b>	<b>22,091</b>	<b>10,263,536</b>
<b>Total Liabilities:</b>			<b>9,870,196</b>	<b>9,779,953</b>	<b>792,833</b>	<b>18,857,316</b>

**Jefferson County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Food And Nutrition Service, Department Of Agriculture (via WA State Department of Health )	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17112	101,513	-	101,513	3
	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17112	4,774	-	4,774	3
Total CFDA 10.557:				106,287	-	106,287	-
Food And Nutrition Service, Department Of Agriculture (via WA State Department of Health )	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17112	135	-	135	-
	Forest Service Schools and Roads Cluster						
Forest Service, Department Of Agriculture (via N/A)	Schools and Roads - Grants to States	10.665	N/A	396,462	-	396,462	-
	Total Forest Service Schools and Roads Cluster:				-	396,462	-
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Region 10, Environmental Protection Agency (via Northwest Straits Foundation))	Coastal Zone Management Administration Awards	11.419	SEANWS-2014- JeCoWS-00006	4,306	-	4,306	-
	Office Of Economic Adjustment, Department Of Defense (via Kitsap County)						
	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	KC-421-13	7,765	-	7,765	-
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA state Dept of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	15-62210-007	73,238	-	73,238	4
	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	14-654000-007	31,686	-	31,686	4
Total CFDA 14.228:				104,924	-	104,924	101,580

Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Juv Accountability Block Grant)	Juvenile Accountability Block Grants	16.523	1463-17244	3,250	-	3,250	3,250
Violence Against Women Office, Department Of Justice (via WA State Dept. of Commerce Stop Grant )	Violence Against Women Formula Grants	16.588	F14-31103-016	15,616	-	15,616	-
Bureau Of Justice Assistance, Department Of Justice (via N/A)	Bulletproof Vest Partnership Program	16.607	N/A	2,307	-	2,307	-
<b>Highway Planning and Construction Cluster</b>							
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation )	Highway Planning and Construction	20.205	LA7177	140,938	-	140,938	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation )	Highway Planning and Construction	20.205	LA8669	174,596	-	174,596	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation )	Highway Planning and Construction	20.205	LA8624	221,120	-	221,120	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation )	Highway Planning and Construction	20.205	LA6612	40,425	-	40,425	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation )	Highway Planning and Construction	20.205	LA7591	719,390	-	719,390	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation )	Highway Planning and Construction	20.205	LA7393	113,095	-	113,095	-
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,409,564</b>	-	<b>1,409,564</b>	-

Region 10, Environmental Protection Agency (via N/A)	Puget Sound Watershed Management Assistance	66.120	PO-00J100-01	368,314	-	368,314	85,889
Region 10, Environmental Protection Agency (via Clallam County)	Puget Sound Watershed Management Assistance	66.120	PO-00J08801	107,131	-	107,131	-
<b>Total CFDA 66.120:</b>				<b>475,445</b>	-	<b>475,445</b>	<b>85,889</b>
Region 10, Environmental Protection Agency (via Northwest Straits Foundation)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	15-13680	4,842	-	4,842	-

Region 10, Environmental Protection Agency (via Northwest Straits Foundation)	66.123	SEANWS-2015-JeCoWS-00007	15,473	-	15,473	-
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
Region 10, Environmental Protection Agency (via Northwest Straits Foundation)	66.123	PC-00J29801-0 , 12.1940	53	-	53	-
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
Region 10, Environmental Protection Agency (via Northwest Straits Foundation)	66.123	13-1234, 14-2196P, 14-01929	953	-	953	-
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
Region 10, Environmental Protection Agency (via WA State Department of Ecology )	66.123	C1400171	162	-	162	-
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
Region 10, Environmental Protection Agency (via WA State Department of Health )	66.123	C17112	65,762	-	65,762	3
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
Region 10, Environmental Protection Agency (via WA State Department of Health )	66.123	C17112	51,397	-	51,397	3
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
Region 10, Environmental Protection Agency (via Hood Canal Coordinating Council )	66.123	N20719	84,696	-	84,696	3
Puget Sound Action Agenda: Technical Investigations and Implementation						
Assistance Program						
<b>Total CFDA 66.123:</b>			<b>223,338</b>	-	<b>223,338</b>	-
Office Of Water, Environmental Protection Agency (via Northwest Straits Foundation)	66.456	SEANWS-2014-JeCoWS-00006	57,303	-	57,303	-
National Estuary Program						
Office Of Water, Environmental Protection Agency (via WA State Department of Health )	66.472	C17112	8,500	-	8,500	3
Beach Monitoring and Notification Program Implementation Grants						
U.s. Election Assistance Commission (via WA State Sec of State (HAVA Grant))	90.401	G-2841/8	1,575	-	1,575	-
Help America Vote Act Requirements Payments						
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Department of Health )	93.069	C17112	36,658	-	36,658	3
Public Health Emergency Preparedness						
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Department of Health )	93.069	C17112	7,724	-	7,724	3
Public Health Emergency Preparedness						

The accompanying notes are an integral part of this schedule.



Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Department of Health )	Public Health Emergency Preparedness	93.069	2015 - Unspent Funding Reimb	566	-	566	-
			<b>Total CFDA 93.069:</b>	<b>44,948</b>	-	<b>44,948</b>	-
Office Of Population Affairs, Department Of Health And Human Services (via WA State Department of Health )	Family Planning_ Services	93.217	C17112	26,183	-	26,183	3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Department of Social & Health Services)	Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1363-90011	27,069	-	27,069	3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Department of Social & Health Services)	Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243	1563-42479	30,114	-	30,114	3
			<b>Total CFDA 93.243:</b>	<b>57,183</b>	-	<b>57,183</b>	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA State Department of Health )	Immunization Cooperative Agreements	93.268	C17112	9,969	-	9,969	3
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Wa State Dept of Health)	Immunization Cooperative Agreements	93.268	2015 - 14,978	14,978	-	14,978	5
			<b>Total CFDA 93.268:</b>	<b>24,947</b>	-	<b>24,947</b>	-
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Choice Regional Health Network )	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBE-075-05	800	-	800	-
Administration For Children And Families, Department Of Health And Human Services (via WA State Department of Social & Health Services)	Child Support Enforcement	93.563	75-1-1501-0-1-609, 2110-80384	31,737	-	31,737	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Public Health Seattle & King County)	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	PREV3583	1,059	-	1,059	-

Centers For Disease Control And Prevention, Department Of Health And Human Services (via Public Health Seattle & King County)	93.752	CDIP3947	232	-	232	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds						
			<b>1,291</b>	-	<b>1,291</b>	-
<b>Total CFDA 93.752:</b>						
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Department of Health Kitsap County)	93.757	1371	27,499	-	27,499	3
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)						
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Department of Health Kitsap County)	93.757	1485	7,588	-	7,588	3
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)						
<b>Total CFDA 93.757:</b>			<b>35,087</b>	-	<b>35,087</b>	-
<b>Medicaid Cluster</b>						
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA State Health Care Authority )	93.778	1163-35242	15,386	-	15,386	3
Medical Assistance Program						
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA State Health Care Authority )	93.778	K1404	87,253	-	87,253	3
Medical Assistance Program						
<b>Total Medicaid Cluster:</b>			<b>102,639</b>	-	<b>102,639</b>	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Olympic Educational Service District #114 )	93.945	15-16 SY	2,112	-	2,112	-
Assistance Programs for Chronic Disease Prevention and Control						
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Department of Social & Health Services)	93.958	1563-39862	2,000	-	2,000	-
Block Grants for Community Mental Health Services						
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Department of Social & Health Services)	93.959	1163-27310	15,137	-	15,137	3
Block Grants for Prevention and Treatment of Substance Abuse						

Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA State Department of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42479	16,228	-	16,228	-	3
			<b>Total CFDA 93.959:</b>	<b>31,365</b>	-	<b>31,365</b>	-	
Health Resources And Services Administration, Department Of Health And Human Services (via WA State Department of Health )	Maternal and Child Health Services Block Grant to the States	93.994	C17112	19,975	-	19,975	-	3
Health Resources And Services Administration, Department Of Health And Human Services (via WA State Department of Health )	Maternal and Child Health Services Block Grant to the States	93.994	C17112	17,572	-	17,572	-	3
			<b>Total CFDA 93.994:</b>	<b>37,547</b>	-	<b>37,547</b>	-	
Department Of Homeland Security (via WA State Parks & Recreation Commission)	Boating Safety Financial Assistance	97.012	N/A	18,919	-	18,919	-	
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EO8-796,PW653	2,083	-	2,083	-	
Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EO8-796,PW202	486,235	-	486,235	-	
			<b>Total CFDA 97.036:</b>	<b>488,318</b>	-	<b>488,318</b>	-	
Department Of Homeland Security (via Department of Homeland Security (via Dept. of Homeland Security ))	Emergency Management Performance Grants	97.042	E16-112	13,953	-	13,953	-	
Department Of Homeland Security (via Department of Homeland Security (via Military Dept/Kitsap County))	Homeland Security Grant Program	97.067	E13-143	1,227	-	1,227	-	
Department Of Homeland Security (via Department of Homeland Security (via Military Dept/Kitsap County))	Homeland Security Grant Program	97.067	E14-157	9,313	-	9,313	-	
Department Of Homeland Security (via Department of Homeland Security (via Military Dept/Kitsap County))	Homeland Security Grant Program	97.067	E14-157	37,331	-	37,331	-	
Department Of Homeland Security (via Department of Homeland Security (via State Homeland Security))	Homeland Security Grant Program	97.067	E15-079	26,241	-	26,241	-	
			<b>Total CFDA 97.067:</b>	<b>74,112</b>	-	<b>74,112</b>	-	
	<b>Total Federal Awards Expended:</b>			<b>3,809,919</b>	-	<b>3,809,919</b>	-	<b>190,719</b>

JEFFERSON COUNTY, WASHINGTON  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2015**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Jefferson County financial statements. The basis of accounting Jefferson County uses represents a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America.

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 Jefferson County's portion, are more than shown.

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$136,750.15 claimed as an indirect cost recovery using an approved indirect cost rate of between 8 percent and 25 percent.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$ 190,719 that was passed through to a subrecipient that administered its own project.

NOTE 5 - NONCASH AWARDS - VACCINATIONS

The amount of vaccine reported on the schedule is the value of vaccine received by Jefferson County during current year and priced as prescribed by Washington State Childhood Vaccine.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

### Jefferson County January 1, 2015 through December 31, 2015

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

<b>Finding ref number:</b> 2015-001	<b>Finding caption:</b> The County did not have adequate controls in place to ensure accurate financial reporting.
<b>Name, address, and telephone of auditee contact person:</b> Rose Ann Carroll 1820 Jefferson Street Port Townsend, WA 98368 (360) 385- 9118	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Jefferson County Auditor's Office and Treasurer's Office along with the Budget Manager will continue to work as a team to research and find solutions to the issues identified in the audit.</i>  <i>The Annual Report Committee (Auditor, Treasurer, Budget Manager, Chief Accountant, Deputy Treasurer) will meet frequently during the process to:</i> <ul style="list-style-type: none"> <li>• <i>Continue working on checklist for balancing between the bank, Treasurer's Office and Auditor's Office.</i></li> <li>• <i>Continue to provide necessary training to staff to ensure financial reporting is accurate, complete and in accordance to the BARS Manual.</i></li> <li>• <i>Continue to refine the review process of the financial statements, notes &amp; supporting schedules by someone independent of financial statement preparation to ensure financial reporting is accurate, complete and in accordance with requirements.</i></li> </ul>	
<b>Anticipated date to complete the corrective action:</b> Submission of 2016 Annual Report – May 2017	

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>