



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

Pacific County

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

Published September 24, 2015

Report No. 1015130





Washington State Auditor's Office

September 24, 2015

Board of Commissioners
Pacific County
South Bend, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

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

TABLE OF CONTENTS

Federal Summary	4
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	6
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor's Report On Financial Statements	12
Financial Section.....	15
About The State Auditor's Office.....	43

FEDERAL SUMMARY

Pacific County January 1, 2014 through December 31, 2014

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

Board of Commissioners
Pacific County
South Bend, 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 Pacific County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 14, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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



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

September 14, 2015

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

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

Board of Commissioners
Pacific County
South Bend, Washington

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

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

Management's Responsibility

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

Auditor's Responsibility

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

occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

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



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

September 14, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Commissioners
Pacific County
South Bend, Washington

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



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

September 14, 2015

FINANCIAL SECTION

Pacific County January 1, 2014 through December 31, 2014

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 General Fund	101 FAIR
Beginning Cash and Investments				
30810	Reserved	15,070,681	176,947	34,696
30880	Unreserved	4,861,630	3,700,509	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	11,161,930	5,925,894	-
320	Licenses and Permits	324,434	9,678	-
330	Intergovernmental Revenues	6,515,064	1,633,682	29,199
340	Charges for Goods and Services	5,347,183	869,610	32,622
350	Fines and Penalties	1,074,682	1,069,517	-
360	Miscellaneous Revenues	441,797	104,012	36,480
Total Operating Revenues:		24,865,090	9,612,393	98,301
Operating Expenditures				
510	General Government	8,894,421	4,977,046	-
520	Public Safety	5,391,766	3,271,420	-
530	Utilities	246,226	822	-
540	Transportation	6,779,924	-	-
550	Natural and Economic Environment	995,744	11,352	-
560	Social Services	1,587,272	28,940	-
570	Culture and Recreation	275,537	122,736	122,949
Total Operating Expenditures:		24,170,889	8,412,316	122,949
Net Operating Increase (Decrease):		694,201	1,200,077	(24,648)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	1,532,018	57,589	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	1,957,383	131,562	-
Total Nonoperating Revenues:		3,489,401	189,151	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	567,361	25	-
591-593	Debt Service	467,935	54	1,786
594-595	Capital Expenditures	2,551,524	326,703	-
597	Transfers-Out	1,957,383	1,533,720	-
Total Nonoperating Expenditures:		5,544,203	1,860,502	1,786
Net Increase (Decrease) in Cash and Investments:		(1,360,602)	(471,274)	(26,434)
Ending Cash and Investments				
50810	Reserved	14,332,394	120,502	8,263
50880	Unreserved	4,239,315	3,285,681	-

The accompanying notes are an integral part of this statement.

102 PC EMERGENCY MANAGEMENT ADM	103 LAW LIBRARY	104 ROAD FUND	105 VETERANS FUND	106 TOURISM DEVELOPMENT	108 FLOOD CONTROL
20,621	12,217	5,602,232	38,654	454,126	784,448
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,860,050	492	334,467	-
-	-	-	-	-	-
32,832	-	2,538,778	-	-	-
33,278	6,574	10,696	-	-	339,187
-	-	-	-	-	-
715	396	283,139	34	4,613	425
66,825	6,970	6,692,663	526	339,080	339,612
-	-	991	-	-	-
136,672	-	390,140	-	-	-
-	-	-	-	-	244,717
-	-	5,249,470	-	-	-
-	-	-	-	273,564	-
-	-	-	10,293	-	-
-	14,750	-	-	-	-
136,672	14,750	5,640,601	10,293	273,564	244,717
(69,847)	(7,780)	1,052,062	(9,767)	65,516	94,895
-	-	60,019	-	-	-
-	-	-	-	-	-
84,970	4,100	-	-	-	-
84,970	4,100	60,019	-	-	-
-	-	351,920	-	-	-
-	-	-	-	-	33,663
-	-	1,619,149	-	-	-
-	-	-	-	-	-
-	-	1,971,069	-	-	33,663
15,123	(3,680)	(858,988)	(9,767)	65,516	61,232
35,745	8,537	4,743,245	28,887	519,642	845,680
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

109 VEGETATION MANAGEMENT	110 TREASURER'S O&M	111 AUDITOR'S O&M	112 TREASURER REET TECHNOLOGY	116 DEPT OF COMMUNITY DEVELOPMENT	117 ELECTION RESERVE
148,078	122,915	93,037	87,209	101,806	163,867
-	-	-	-	553,860	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	314,756	-
135,682	-	43,841	12,293	342,571	47,353
147,082	44,845	18,803	-	319,426	28,457
-	-	-	-	5,165	-
-	-	-	-	133	-
282,764	44,845	62,644	12,293	982,051	75,810
-	61,310	55,951	6,145	916,267	190,087
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
300,764	-	-	-	251,600	-
-	-	-	-	104,817	-
-	-	-	-	-	-
300,764	61,310	55,951	6,145	1,272,683	190,087
(18,000)	(16,465)	6,693	6,148	(290,633)	(114,277)
-	-	-	-	84	-
-	-	-	-	-	-
-	-	-	-	30,000	100,000
-	-	-	-	30,084	100,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	12,392	-	-	-
-	-	-	-	-	-
-	-	12,392	-	-	-
(18,000)	(16,465)	(5,699)	6,148	(260,549)	(14,277)
130,077	106,451	87,337	93,358	152,770	149,589
-	-	-	-	242,348	-

The accompanying notes are an integral part of this statement.

118 HEALTH & HUMAN SERVICES	121 EXTENSION ED PROGRAM FEES	127 PC LOW- INCOME ASSISTANCE FUND	128 PC SHELLFISH O/SS PROGRAM	136 JUVENILE COURT EXPENSE FUND	138 COURT SPECIAL ACCOUNTS FUND
106,268	649	479,220	100,000	60	22,423
-	-	-	-	-	-
-	-	-	-	-	-
58,080	-	-	-	-	-
-	-	-	-	-	-
1,370,252	-	-	-	172,880	-
21,980	-	173,498	-	-	10,911
-	-	-	-	-	-
2,952	-	-	-	-	-
1,453,264	-	173,498	-	172,880	10,911
-	-	-	-	-	-
-	-	-	-	433,796	9,446
-	-	-	-	-	-
-	-	-	-	-	-
-	-	158,464	-	-	-
1,443,223	-	-	-	-	-
-	-	-	-	-	-
1,443,223	-	158,464	-	433,796	9,446
10,041	-	15,034	-	(260,916)	1,465
5,012	-	-	-	-	-
-	-	-	-	-	-
79,338	-	-	-	260,895	-
84,350	-	-	-	260,895	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
94,391	-	15,034	-	(21)	1,465
200,660	649	494,253	100,000	39	23,888
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

160 PACCOM	191 BECCA RESERVE	208 2008 LIMITED TAX GO BONDS	301 CAPITAL IMPROVEMENTS	302 LOCAL OPTION TAX SPEC REVENUE	403 EKLUND PARK
71,379	76,746	102,341	1,379,655	318,449	15,376
-	-	-	-	-	-
-	-	-	-	-	-
551,408	-	-	192,931	238,608	-
-	-	-	-	-	-
122,500	33,202	-	-	-	-
288,607	-	-	-	-	18,893
-	-	-	-	-	-
210	-	-	298	-	8
962,725	33,202	-	193,229	238,608	18,902
-	17,400	-	72,017	-	-
1,150,293	-	-	-	-	-
-	-	-	-	-	468
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	15,102	-	-
1,150,293	17,400	-	87,119	-	468
(187,568)	15,802	-	106,110	238,608	18,434
-	-	-	-	-	-
-	-	-	-	-	-
304,934	-	414,963	-	-	-
304,934	-	414,963	-	-	-
-	-	-	-	215,416	-
-	-	415,264	-	-	17,168
6,490	-	-	73,317	-	-
-	8,700	-	414,963	-	-
6,490	8,700	415,264	488,280	215,416	17,168
110,876	7,102	(301)	(382,170)	23,192	1,266
182,256	83,848	102,039	997,485	341,641	16,642
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

502 EQUIPMENT RENTAL & REVOLVING	522 PAYROLL INTERNAL SERVICE FUND	531 CUMULATIVE RESERVE/INSUR ANCE
3,390,620	1,066,642	100,000
-	353,754	253,507
-	-	-
-	-	-
-	-	-
-	-	-
2,060,579	417,747	504,390
-	-	-
5,359	1,818	1,203
<u>2,065,937</u>	<u>419,564</u>	<u>505,593</u>
491,888	1,579,116	526,203
-	-	-
219	-	-
1,530,454	-	-
-	-	-
-	-	-
-	-	-
<u>2,022,561</u>	<u>1,579,116</u>	<u>526,203</u>
43,376	(1,159,552)	(20,610)
1,200	1,407,646	468
-	-	-
546,621	-	-
<u>547,821</u>	<u>1,407,646</u>	<u>468</u>
-	-	-
-	-	-
513,473	-	-
-	-	-
<u>513,473</u>	<u>-</u>	<u>-</u>
77,724	248,094	(20,142)
3,468,344	1,145,569	145,000
-	522,921	188,365

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	620 Drug Task Force	633 Dispute Resolution	660 Post Closure Fund
308	Beginning Cash and Investments	1,041,961	-	330	354,314
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	840,485	1,192	4,400	55,796
380-390	Other Increases and Financing Sources	35,624	-	-	-
510-570	Expenditures	72,113	1,192	-	70,921
580-590	Other Decreases and Financing Uses	564,772	-	4,530	-
Net Increase (Decrease) in Cash and Investments:		239,224	(0)	(130)	(15,125)
508	Ending Cash and Investments	1,281,184	-	200	339,189

		661 TR Trust	662 Foreclosure Trust	663 Advance Tax	664 Over Pd Tax
308	Beginning Cash and Investments	5,899	100,862	-	146
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	187,287	-	-
380-390	Other Increases and Financing Sources	6,877	-	-	371
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	1,970	31,716	-	-
Net Increase (Decrease) in Cash and Investments:		4,907	155,571	-	371
508	Ending Cash and Investments	10,806	256,433	-	517

		665 Unclaimed Property	666 State Drug Task Force	667 State Leasehold Excise	668 Private Harvest
308	Beginning Cash and Investments	268	-	-	508,288
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	6,018	585,792
380-390	Other Increases and Financing Sources	(268)	894	-	-
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	-	824	5,858	508,288
Net Increase (Decrease) in Cash and Investments:		(268)	70	160	77,504
508	Ending Cash and Investments	-	70	161	585,792

		669 DPW Deposits	670 Road Vac
308	Beginning Cash and Investments	71,753	100
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	27,750	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	11,486	100
Net Increase (Decrease) in Cash and Investments:		16,264	(100)
508	Ending Cash and Investments	88,017	-

Note 1 - Summary of Significant Accounting Policies

The County of Pacific reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in 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.

The County of Pacific was incorporated on 1851 and operates under the laws of the state of Washington applicable to a County. The County of Pacific is a general purpose government and provides: public safety, road and street maintenance, planning and zoning, parks and recreation, judicial administration, health and social services, and general administrative services. In addition, Pacific County owns and operates a communications system.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting

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

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

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

C. Budgets

The County of Pacific adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level within a fund in four categories (except the general (current expense) fund, where budget is adopted at the department level). These categories are: Personnel Costs, Capital Outlay, Debt Service, and Operating Expenditure. 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 follow:

Fund	Operation/Program Title	Personnel		Operating		Debt Services		Capital		2014		
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Variance
001	Total Current Expense Fund									-	-	-
030	County Code									-	-	-
034	Other Non-Departmental			372,482	362,612					372,482	362,612	9,870
061	Juvenile Detention ("Contract Beds")			95,000	80,496					95,000	80,496	14,504
100	County Assessor	570,378	556,259	106,200	104,268					676,578	660,527	16,051
200	County Auditor	306,530	304,718	95,990	83,549					402,520	388,267	14,253
301	County Commissioners	298,110	298,097	33,715	28,102					331,825	326,200	5,625
302	Cooperative Extension Services	33,357	33,344	23,930	23,511					57,287	56,855	432
303	Civil Service Commission	11,135	10,826	5,385	4,277					16,520	15,103	1,417
305	Interfund Support			1,513,433	1,513,433					1,513,433	1,513,433	-
311	General Facilities	206,436	177,643	341,403	308,486					547,839	486,129	61,710
312	County Parks	31,459	31,273	36,462	34,608					67,921	65,881	2,040
313	Telecommunications			156,080	153,320					156,080	153,320	2,760
34X	Dept. of Gen. Administration	162,250	152,980	22,689	18,252					184,939	171,232	13,707
400	County Clerk	270,861	270,766	32,400	26,025					303,261	296,790	6,471
510	North (Willapa) District Court	222,421	221,438	20,007	17,130					242,428	238,568	3,860
560	South (Peninsula) District Court	302,510	302,503	26,386	25,978					328,896	328,481	415
600	Superior Court	286,967	285,108	109,825	106,086					396,792	391,193	5,599
700	County Prosecuting Attorney	635,382	635,075	76,890	76,251					712,272	711,326	946
801	Law Enforcement Services	1,202,410	1,191,491	421,829	419,225			7,546	7,546	1,631,785	1,618,263	13,522
802	Correction Services	1,027,545	1,016,190	280,521	275,039					1,308,066	1,291,229	16,837
803	Communications			65,538	63,349					65,538	63,349	2,189
900	County Treasurer	287,738	287,737	85,633	85,268					373,371	373,005	366
197	Cumulative Reserve Fund	200,000	161,200	200,000	54			345,000	319,157	745,000	480,411	264,589
101	County Fair Fund	56,522	55,871	68,645	67,078	1,786	1,786			126,953	124,735	2,218
102	Emergency Management (PCEMA) Fund	65,018	64,980	90,029	71,692			69,146		224,193	136,672	87,521
103	Law Library Fund			15,000	14,750					15,000	14,750	250
104	Road Fund Public Works M & O	2,225,967	1,980,953	4,272,302	4,239,345	-	-	2,030,000	1,001,231	8,528,269	7,221,529	1,306,740
104	Traffic Law Enforcement	393,466	390,140							393,466	390,140	3,326
105	Veterans' Relief Fund	2,246	2,245	11,051	8,048					13,297	10,293	3,004
106	Tourist Development Fund	17,820	17,818	282,180	255,746					300,000	273,564	26,436
108	Flood Control Zone District No. 1 Fund	86,824	70,280	207,655	174,438	33,664	33,663	78,000		406,143	278,380	127,763
109	Vegetation Management (NW Ctrl.) Fund	200,657	183,895	162,947	116,869					363,604	300,764	62,840
110	Treasurer's O&M. Fund	22,451	22,450	53,510	38,860					75,961	61,310	14,651
111	Auditor's Operation & Maintenance Fund	18,971	18,243	41,365	37,708			12,500	12,392	72,836	68,343	4,493
112	Treasurer's REET Electronic Tech. Fund	5,994	5,975	5,692	170					11,686	6,145	5,541
116	Community Development Fund	891,847	816,201	564,753	456,482			12,000		1,468,600	1,272,683	195,917
117	Election Reserve Fund	133,723	128,571	80,474	61,516					214,197	190,087	24,110
118	Public Health & Human Services Fund	1,092,105	953,463	761,881	489,760					1,853,986	1,443,223	410,763
121	Coop. Extension Special Programs Fund			100						100	-	100
301	Cap. Improvements (0.25% REET) Fund	71,250	70,826	446,653	431,256			93,506	73,317	611,409	575,399	36,010
302	Public Facilities Improvements Fund			215,418	215,416					215,418	215,416	2
127	PC Low-Income Assistance Fund	13,238	13,238	303,716	145,227					316,954	158,464	158,490
128	Shellfish On-Site Sewage Program Fund			100,000						100,000	-	100,000
132	Special Investigations Fund	178,614	163,376	46,997	36,617					225,611	199,993	25,618
136	Juvenile Court Services Fund	388,160	368,786	94,204	65,011					482,364	433,796	48,568
138	Courts Special Account Fund	9,106	9,106	340	340					9,446	9,446	-
160	PACCOM (E-911) Fund	1,006,046	981,463	230,868	168,830	42,594		386,686	6,490	1,666,194	1,156,782	509,412
191	BECCA Reserve Fund	17,400	17,400	8,700	8,700					26,100	26,100	-
208	2008 LTGO Bond Redemption Fund			302	302	414,963	414,963			415,265	415,264	1
403	Eklund Park Sewer Fund			7,354	468	17,168	17,168			24,522	17,636	6,886
502	Equipment Rental & Revolving Fund	625,554	588,502	1,662,560	1,434,059			773,200	513,473	3,061,314	2,536,034	525,280
522	Payroll Internal Services Fund	1,965,646	1,783,922	49,380	36,281					2,015,026	1,820,203	194,823
531	Risk Management Fund	152,196	150,011	525,395	376,192					677,591	526,203	151,388

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

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated as defined by union contracts. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt See Note 4, *Debt Service Requirements*.

H. Risk Management

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

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

Background: The Pool was "Created by Counties for Counties" in August 1988 as an association of member counties independent of all other associations of which the counties are members. WCRP's foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34, Revised Code of Washington ("RCW"), "to provide member counties programs of joint self-insurance, joint purchasing of insurance, and joint contracting for or hiring of personnel to provide risk management, claims handling, and administrative services."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Coverage also includes sublimated items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million).

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

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

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

Governance / Oversight: The Pool is governed by a board of directors that consists of one director (and at least one alternate director) representing each member county and appointed by the county’s legislative authority. The Board of Directors, which includes both elected and appointed officials, meets three times each year with the Annual Meeting of the Pool being held mid-summer. The Board a) determines the

extent of risk-sharing from the 3rd-party self-insured liability coverage by approving the JSILP Coverage Form, b) selects the reinsurance(s) to acquire and the excess insurance(s) to jointly-purchase or offer for “member option” purchase, c) approves the Pool’s annual operating budget(s) and work program(s), and d) approves the formulas used for computing members’ deposit assessments and, when necessary, reassessments.

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

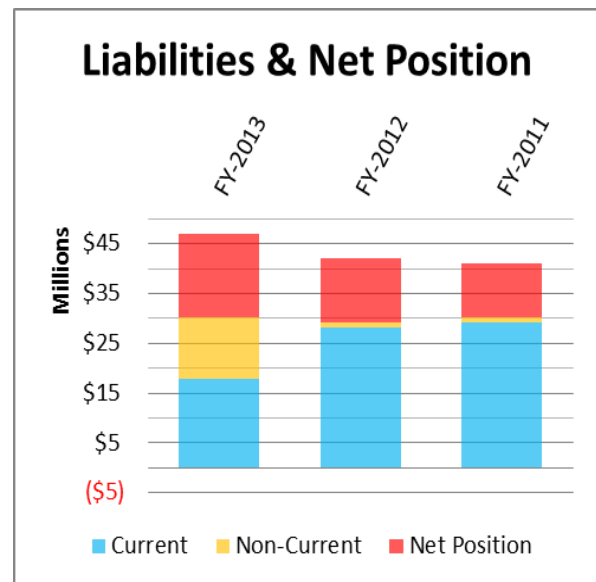
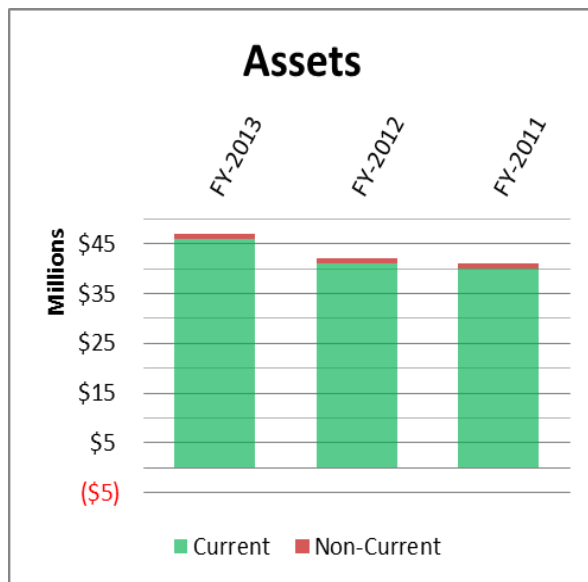
Staffing and Support Teams: Six of the Pool’s 11-person staff handle and/or manage the several hundred liability cases filed annually upon the member counties and submitted for risk-shared coverage consideration. This includes determining coverage, establishing reserves for covered events by estimating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

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

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

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

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



Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO (\$0) as there were no known contingent liabilities at that time.

I. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of the following:

Fund	Amount Reserved	Reason Reserved
1	\$120,502	Treasurer's REET as defined in RCW 82.45.180
101	\$8,263	Maintenance and operation of Pacific County Fair
102	\$35,745	Emergency Management functions as defined in RCW 38.52.010
103	\$8,537	Law Library as defined in RCW 27.24.070
104	\$4,743,245	Roads Maintance as defined in RCW 36.82.010
105	\$28,887	Veteran Relief as defined in RCW 73.08.080
106	\$519,642	Tourism Development as defined in RCW 67.28.181
108	\$845,680	Maintenance and operation of the Flood Control District
109	\$130,077	Vegetation Management as defined in RCW 17.10.240
110	\$106,451	Treasurer's Operation and Maintenance as defined in RCW 84.56.020
111	\$87,337	Auditors's Operation and Maintenance as defined in RCW 36.22.170
112	\$93,358	Treasurer's REET as defined in RCW 82.45.180
116	\$152,770	Managing Community Development regulations
117	\$149,589	Elections as defined in RCW 36.33.200
118	\$200,660	Health as defined in RCW 82.14.460
121	\$649	Provide education opportunities to interested individuals
127	\$494,253	Low Income Assistance as defined by RCW 43.185.060
128	\$100,000	Per Grant requirements of Septic systems
136	\$39	Juvenile as restricted per grant requirements
138	\$23,888	Court costs as defined by RCW 36.18.016 and 26.12.240
160	\$182,256	E911 as defined by RCW 38.52.510
191	\$83,848	Becca Court costs as restricted per grant requirements
403	\$16,642	Reserved for use of Eklund Park Loan Payment
301	\$997,485	Capital Improvements as defined by RCW 82.46.010 and 82.46.035
302	\$341,641	Capital Improvements in the community as defined by RCW 82.14.370
208	\$102,039	Debt Service
502	\$3,468,344	Equipment Rental & Revolving
522	\$1,145,569	Compensated Absense and LEOFF Liability
531	\$145,000	Judgements and Claims

Note 2 – Deposits and Investments

It is the County of Pacific policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is credited to the General Fund if not designed to go to the individual fund.

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

Investments by type at December 31, 2014 are as follows:

Investment	Fair value of Pacific County investments	Fair value of investments held by Pacific County as agent for other local governments	Total
State Investment Pool (LGIP)	15,004,861.55	25,217,961.90	40,222,823.45
Bank of the Pacific (investment cking)		592,453.31	592,453.31
Bank of the Pacific checking	949,435.50		949,435.50
Ocean Beach Hospital (BOP)		1,444,404.54	1,444,404.54
Security State Checking Account	3,581,998.14		3,581,998.14
Certificates of Deposit (BOP)	655,111.84	111,140.35	766,252.19
Certificates of Deposit (Ray Fed)	250,000.00		250,000.00
U.S. Agency Bonds	1,983,739.11	1,096,347.60	3,080,086.71
Petty Cash	2,000.00		2,000.00
Cash & Check in Transit	(16,937.14)		(16,937.14)
Total	22,410,209.00	28,462,307.70	50,872,516.70

Note 3 - Property Tax

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

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

The County's 2014 regular levy for the General Fund was \$1.594420 per \$1,000, which included \$57,445 for Mental Health on an assessed valuation of \$2,297,819,557 for a total regular levy of \$3,663,691.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2014 was \$1.749219 per \$1,000 on an assessed valuation of \$1,711,997,111 for a total road levy of \$2,994,658.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the County of Pacific and summarizes the County of Pacific debt transactions for year ended December 31, 2014.

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

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total Debt</u>
2015	332,304	33,501	365,805
2016	335,691	33,339	369,030
2017	332,667	33,178	365,845
2018	334,641	33,016	367,657
2019	335,142	32,854	367,996
2020-2024	1,675,257	65,222	1,740,479
2025-2029	1,348,745	-	1,348,745
2030-2034	94,770	-	94,770
2035-2039	34,411	-	34,411
2040-2044	8,930	-	8,930
2045-2048	5,358	-	5,358
TOTALS	4,837,916	231,110	5,069,026

Note 5 - Pension Plans

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

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

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

Note 6- Other Disclosures

OPEB

The County of Pacific has a commitment to pay for post-employment benefits for employees that belong to LEOFF1. These benefits include medical, vision, nursing care, etc. Three retirees received benefits during the year and \$24,251 was paid out for those benefits during the year. The County of Pacific is a pay as you go for this liability we have reserved \$418,222 for this future expense and continue to budget \$100,000 per year.

DEBT

Department of Community Development has \$500,000 line of credit from the Department of Ecology offering on site financial repair program loans (Loan No L1200031, FY 2012 Funding Cycle). Currently no money has been drawn from the line of credit.

2013 Fair Loan ending balance was reported incorrectly should have been \$32,654.22 this was corrected on the 2014 Schedule 09.

NOTES RECEIVABLE

2014 Loan from Pacific County to PACCOM Board members not to exceed \$153,108 per resolution 2014-065 for the purpose of purchase/upgrade radio equipment to assure interoperability and compliance with state and federal regulations. This loan will be a term of three years at 3% interest rate.

CHANGE IN BASIS OF ACCOUNTING

Historically the County of Pacific utilized an open period in which the County could recognize expenditures paid during twenty days after fiscal year end. In 2013, the County passed the approved budget for fiscal year 2014 and decision to no longer elect an open period. Due to reduced fiscal staff and other limited resources, the County determined the costs of tracking expenditures allocable to an open period exceed the benefit.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	GO Bond Refinance 2013	12/1/2028	3,810,000	-	315,000	3,495,000
263.81	Eklund Park	9/1/2036	239,454	-	6,320	233,134
263.81	PWTF FCDZ #1	9/17/2022	258,947	-	32,368	226,579
263.93	OPEB Liability		338,218	104,266	24,262	418,222
259.11	Compensated Absences		728,424	511,678	512,755	727,347
263.81	Pac County Fair USDA Loan 07	11/1/2047	32,654	-	447	32,207
Total General Obligations:			5,407,698	615,944	891,152	5,132,489
Total Liabilities:			5,407,698	615,944	891,152	5,132,489

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	MP.00 to MP 1.93 STRP- F250(002) LA- 7962	-	717,285	717,285	1
Total Highway Planning and Construction Cluster:				-	717,285	717,285	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation	State and Community Highway Safety	20.600	n/a	-	4,799	4,799	1
Total Highway Safety Cluster:				-	4,799	4,799	
Medicaid Cluster							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health)	Medical Assistance Program	93.778	K768	5,134	-	5,134	1,2,6
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health)	Medical Assistance Program	93.778	1163- 27618/1363- 88539	24,387	-	24,387	1,2, 14,15
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health)	Medical Assistance Program	93.778	#1263-52715	22,980	-	22,980	1
Total Medicaid Cluster:				52,501	-	52,501	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		
				From Pass- Through Awards	From Direct Awards	Total
Other Programs						
Food And Nutrition Service, Department Of Agriculture (via Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16896	123,195	-	123,195
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	n/a	-	37,900	37,900
Violence Against Women Office, Department Of Justice	Violence Against Women Formula Grants	16.588	F11-31103-030	-	8,181	8,181
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2011UMWX019 4	-	75,023	75,023
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via DSHS)	Enforcing Underage Drinking Laws Program	16.727	1363-70094	7,544	-	7,544
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via DSHS)	Enforcing Underage Drinking Laws Program	16.727	1163- 27318/1363- 82382	1,000	-	1,000
			Total CFDA 16.727:	8,544	-	8,544
Bureau Of Justice Assistance, Department Of Justice	PREA Program: Demonstration Projects to Establish 'Zero Tolerance' Cultures for Sexual Assault in Correctional Facilities	16.735	n/a	-	93,758	93,758
Office Of The Secretary, Department Of Health And Human Services	Medical Reserve Corps Small Grant Program	93.008	C16896	-	3,500	3,500
						1

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Public Health Emergency Preparedness	93.069	C16896	81,012	-	81,012	1,2,8
Office Of Population Affairs, Department Of Health And Human Services (via Dept of Health)	Family Planning_Services	93.217	C16896	8,974	-	8,974	1,2,15
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	n/a	-	67,300	67,300	
Centers For Disease Control And Prevention, Department Of Health And Human Services	Immunization Cooperative Agreements	93.268	n/a	-	11,855	11,855	1
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Immunization Cooperative Agreements	93.268	C16896	14,504	-	14,504	1,2,9
Total CFDA 93.268:				14,504	11,855	26,359	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	Drug-Free Communities Support Program Grants	93.276	1H79SP015713-03 AND 04	-	115,982	115,982	1,2
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Grays Harbor County)	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	n/a	35,886	-	35,886	1,2,4

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	C16896	395	-	395	1,2,9
	Promoting Safe and Stable Families	93.556	1263-52715	2,700	-	2,700	1,2,3
Administration For Children And Families, Department Of Health And Human Services (via DSHS)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	n/a	-	1,524	1,524	1,2,9
Office Of The Secretary, Department Of Health And Human Services (via Dept of Health)	National Bioterrorism Hospital Preparedness Program	93.889	C16896	3,275	-	3,275	1,2
	Block Grants for Community Mental Health Services	93.958	1163- 27318/1363- 88539	28,119	-	28,119	1
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via DSHS)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27318	25,296	-	25,296	1,2
Health Resources And Services Administration, Department Of Health And Human Services (via Dept of Health)	Maternal and Child Health Services Block Grant to the States	93.994	c16896	35,278	-	35,278	1,11,1 2,13

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Department Of Homeland Security	Emergency Management Performance Grants	97.042	#E12-042	-	21,919	21,919	1,2
Department Of Homeland Security	Homeland Security Grant Program	97.067	SHSP FY 2011, 2012, 2013	-	11,059	11,059	1,2
Department Of Homeland Security	Homeland Security Grant Program	97.067	SHSP FY 2010	-	64,452	64,452	1
SNAP Cluster							
Food And Nutrition Service, Department Of Agriculture (via Dept of Health)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C16806	88,512	-	88,512	1,2,10
Total CFDA 97.067:				-	75,511	75,511	
Total SNAP Cluster:				88,512	-	88,512	
Total Federal Awards Expended:				508,191	1,234,537	1,742,728	

The accompanying notes are an integral part of this statement.

PACIFIC COUNTY, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Pacific County financial statements. The county uses the Cash basis of Accounting.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including Pacific Counties portion, are more than shown.

NOTE 3 - INDIRECT COST RATE

The amount expended includes \$524.31 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent.

NOTE 4 - INDIRECT COST RATE

The amount expended includes \$6,826.70 claimed as an indirect cost recovery using an approved indirect cost rate of 15 percent.

NOTE 5 - NONCASH AWARDS - VACCINATIONS

The amount of vaccinations reported on the schedule is the value of vaccine received by the Pacific County during current year and priced as prescribed by Department of Health.

NOTE 6 - INDIRECT COST RATE

The amount expended includes \$1,952.90 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent.

NOTE 7 - INDIRECT COST RATE

The amount expended includes \$31,429.44 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent.

NOTE 8 - INDIRECT COST RATE

The amount expended includes \$15,583.08 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent.

NOTE 9 - INDIRECT COST RATE

The amount expended includes \$4009.42 claimed as an indirect cost recovery using an approved indirect cost rate of 21.2 percent.

NOTE 10 - INDIRECT COST RATE

The amount expended includes \$11682.30 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent.

NOTE 11 - INDIRECT COST RATE

The amount expended includes \$2049.88 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent.

NOTE 12 - INDIRECT COST RATE

The amount expended includes \$1,835.84 claimed as an indirect cost recovery using an indirect cost rate of 21.5 percent

NOTE 13 - INDIRECT COST RATE

The amount expended includes \$2438.31 claimed as an indirect cost recovery using an approved indirect cost rate of 21.5 percent. ** Short fall on indirect caused by DOH not approving the benefit percentage rate

NOTE 14 - INDIRECT COST RATE

The amount expended includes \$3,074.50 claimed as an indirect cost recovery using an indirect cost rate of 21.5 percent

NOTE 15 - INDIRECT COST RATE

The amount expended includes \$11482.12 claimed as an indirect cost recovery using an indirect cost rate of 21.5 percent

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	
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