



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

### Jefferson County

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

**Published September 28, 2015**

**Report No. 1015231**





## Washington State Auditor's Office

September 28, 2015

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 County's financial condition.

Sincerely,

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

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## FEDERAL SUMMARY

### Jefferson County January 1, 2014 through December 31, 2014

The results of our audit of Jefferson 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 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 County's compliance with requirements applicable to each of its major federal programs.

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

## Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.665	Schools and Roads Cluster - Schools and Roads - Grants to States
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 not qualify as a low-risk auditee under OMB Circular A-133.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Jefferson County January 1, 2014 through December 31, 2014

#### **2014-001    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.

*Government Auditing Standards*, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies as defined below in the Applicable Laws and Regulations section, as a finding.

##### ***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. Additionally, there was no secondary review of reconciliations between individual accounts and the general ledger.
- No 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.

- No secondary review of financial statements and notes was performed by someone independent of financial statement preparation and knowledgeable of reporting requirements.

### *Cause of Condition*

The County did not dedicate sufficient resources to design and implement internal control processes to ensure its financial reporting 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.

### *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 seven 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:
  - \$215,297 of beginning cash
  - \$103,591 of ending cash
  - \$919,466 of receipts
  - \$1,030,860 of disbursements
- The County over-reported timber tax receipts and disbursements by at least \$1,276,472.
- Total reported revenues were \$4,266,245, or 8.1 percent, less than expected based on bank receipts and known reconciling items.
- Total reported expenditures were \$4,393,333, or 8.4 percent, less than expected based on bank disbursements and known reconciling items.
- The County misclassified:
  - Reserved ending cash of \$613,153 as unreserved
  - Unreserved ending cash of \$440,000 as reserved
- The Notes to the financial statements included multiple presentation and disclosure errors, including disclosures that were not updated, tables that did not agree with the 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 that 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 this audit. The audit report was thorough and complete. It provided information needed to 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 Auditor's Office and Treasurer's Office appreciate the opportunity to learn and improve and will be working as a team researching and finding solutions to the issues. Our priority is implementation of the necessary policies and procedures to ensure internal controls are in place and adhered to.*

## ***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.

Budgeting, 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

**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, 2014 through December 31, 2014**

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, 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 24, 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 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 2014-001 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.



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

September 24, 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**

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

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) 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 24, 2015



# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## Jefferson County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 20.

#### 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, 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 Jefferson 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 24, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



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

September 24, 2015

## **FINANCIAL SECTION**

### **Jefferson 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

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

		<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	570,410	440,000	-
30880	Unreserved	21,309,877	2,234,734	161,684
388 & 588	Prior Period Adjustments, Net	2,866	(1,052)	-
<b>Operating Revenues</b>				
310	Taxes	18,071,291	11,889,172	-
320	Licenses and Permits	723,259	29,696	-
330	Intergovernmental Revenues	9,929,341	2,754,026	45,948
340	Charges for Goods and Services	11,852,172	1,621,421	22,514
350	Fines and Penalties	485,293	466,682	-
360	Miscellaneous Revenues	659,588	310,721	142
Total Operating Revenues:		41,720,944	17,071,718	68,604
<b>Operating Expenditures</b>				
510	General Government	10,400,299	7,890,366	85,194
520	Public Safety	6,906,109	6,609,253	-
530	Utilities	2,478,655	-	-
540	Transportation	7,371,275	9,446	-
550	Natural and Economic Environment	2,934,525	179,578	-
560	Social Services	4,483,248	25,996	-
570	Culture and Recreation	1,307,428	142,850	-
Total Operating Expenditures:		35,881,539	14,857,489	85,194
<b>Net Operating Increase (Decrease):</b>		<b>5,839,405</b>	<b>2,214,229</b>	<b>(16,590)</b>
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	1,772,194	340,731	-
391-393	Debt Proceeds	86,331	-	-
397	Transfers-In	3,799,247	76,987	-
Total Nonoperating Revenues:		5,657,772	417,718	-
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	1,070,565	-	-
591-593	Debt Service	1,115,282	-	-
594-595	Capital Expenditures	4,230,245	58,361	-
597	Transfers-Out	3,782,172	2,387,570	-
Total Nonoperating Expenditures:		10,198,264	2,445,931	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>1,298,914</b>	<b>186,016</b>	<b>(16,590)</b>
<b>Ending Cash and Investments</b>				
50810	Reserved	753,859	-	-
50880	Unreserved	22,428,207	2,859,698	145,094

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

<b>106 Courthouse Facilitator</b>	<b>107 Boating Safety</b>	<b>108 Cooperative Extension</b>	<b>113 4H After School</b>	<b>119 Jeffcom Bond Indebtedness</b>	<b>120 Crime Victims' Services</b>
-	-	-	-	-	-
15,268	37,125	88,061	46,859	13,459	73,119
-	-	-	-	-	-
-	-	-	-	275,302	-
-	-	-	-	-	-
-	51,462	122,463	-	-	63,530
6,764	-	28,908	-	-	18,475
-	2,442	-	-	-	-
-	1	85	-	-	-
6,764	53,905	151,456	-	275,302	82,005
5,998	-	-	-	-	71,842
-	63,015	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	98,949	-	-	-
-	-	-	-	-	-
-	-	236,804	41,858	-	-
5,998	63,015	335,753	41,858	-	71,842
<b>766</b>	<b>(9,110)</b>	<b>(184,297)</b>	<b>(41,858)</b>	<b>275,302</b>	<b>10,163</b>
-	-	650	375	-	-
-	-	-	-	-	-
-	10,000	214,986	47,100	-	-
-	10,000	215,636	47,475	-	-
-	-	-	-	-	-
-	-	-	-	275,355	-
-	25,604	-	-	-	-
-	-	-	-	-	-
-	25,604	-	-	275,355	-
<b>766</b>	<b>(24,714)</b>	<b>31,339</b>	<b>5,617</b>	<b>(53)</b>	<b>10,163</b>
-	-	-	-	-	-
16,034	12,411	119,400	52,476	13,406	83,282

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

<b>123 Grant Management</b>	<b>125 Hotel / Motel</b>	<b>126 H&amp;HS Site Abatement</b>	<b>127 Public Health</b>	<b>128 Water Quality</b>	<b>129 Animal Services</b>
-	-	-	29,741	-	-
36,423	464,136	43,789	757,975	192,893	20,700
-	-	-	1,688	-	-
-	335,445	-	44,975	-	-
-	-	-	183,299	-	-
101,155	-	-	1,546,254	460,933	-
-	-	-	1,421,502	32,298	-
-	-	-	-	-	-
-	381	-	12,060	88,908	-
101,155	335,826	-	3,208,090	582,139	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	14,849
-	-	-	-	-	-
102,921	285,813	-	-	706,063	-
-	-	-	3,844,005	-	-
-	-	-	-	-	-
102,921	285,813	-	3,844,005	706,063	14,849
<b>(1,766)</b>	<b>50,013</b>	-	<b>(635,915)</b>	<b>(123,924)</b>	<b>(14,849)</b>
-	-	-	1,698	-	-
-	-	-	-	-	-
-	-	-	695,675	89,200	-
-	-	-	697,373	89,200	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,851
-	-	-	-	-	5,851
<b>(1,766)</b>	<b>50,013</b>	-	<b>61,458</b>	<b>(34,724)</b>	<b>(20,700)</b>
-	514,149	-	29,741	-	-
34,657	-	43,789	821,121	158,169	-

The accompanying notes are an integral part of this statement.

<b>130 Mental Health</b>	<b>131 Chemical Dependency</b>	<b>135 JC Drug Fund</b>	<b>136 Sheriff's Drug Investigation</b>	<b>140 Law Library</b>	<b>141 Trial Court Improvement</b>
-	-	-	-	-	-
5,363	107,304	63,704	6,666	16,771	60,454
-	-	-	-	-	-
44,975	402,466	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	23,922
-	-	-	-	9,952	-
-	-	16,169	-	-	-
58	-	58	-	-	-
45,033	402,466	16,227	-	9,952	23,922
-	-	-	-	-	11,509
-	-	9,153	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
42,500	445,777	-	-	-	-
-	-	-	-	-	-
42,500	445,777	9,153	-	-	11,509
2,533	(43,311)	7,074	-	9,952	12,413
1,698	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,698	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	9,602	-
-	-	5,300	-	-	6,000
-	-	5,300	-	9,602	6,000
4,231	(43,311)	1,774	-	350	6,413
-	-	-	-	-	-
9,594	63,993	65,478	6,666	17,121	66,867

The accompanying notes are an integral part of this statement.



<b>142 Public Defense Funding</b>	<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 REET Technology</b>
-	100,669	-	-	-	-
54,474	235,482	94,739	216,554	23,706	11,313
-	-	-	-	-	-
-	-	-	-	-	-
-	369,845	-	-	-	-
35,929	95,723	20,177	-	-	8,167
-	887,957	-	203,980	34,437	4,892
-	-	-	-	-	-
-	-	89	-	21	-
35,929	1,353,525	20,266	203,980	34,458	13,059
42,002	-	-	-	28,681	-
-	224,688	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,506,338	-	-	-	-
-	-	-	124,970	-	-
-	-	-	-	-	-
42,002	1,731,026	-	124,970	28,681	-
<b>(6,073)</b>	<b>(377,501)</b>	<b>20,266</b>	<b>79,010</b>	<b>5,777</b>	<b>13,059</b>
-	10,476	-	-	-	-
-	-	-	-	-	-
-	422,963	-	-	-	-
-	433,439	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	37,000	-	-	-
-	-	37,000	-	-	-
<b>(6,073)</b>	<b>55,938</b>	<b>(16,734)</b>	<b>79,010</b>	<b>5,777</b>	<b>13,059</b>
-	110,964	78,005	-	-	-
48,401	281,125	-	295,564	29,483	24,372

The accompanying notes are an integral part of this statement.

<b>155 Veterans' Relief</b>	<b>160 Water Pollution Control</b>	<b>174 Parks &amp; Recreation</b>	<b>175 County Parks Improvement</b>	<b>177 Special Projects</b>	<b>178 Post Harvest Timber Mgmt</b>
-	-	-	-	-	-
43,144	88,911	177,594	34,002	79,509	9,768
-	-	-	-	-	-
45,540	-	-	-	-	-
-	-	-	-	-	-
-	-	231,909	31,085	-	-
-	-	54,945	-	-	-
-	-	-	-	-	-
103	4,593	57,979	26,723	-	9
45,643	4,593	344,833	57,808	-	9
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
53,420	-	-	-	-	-
-	-	-	-	-	-
-	-	647,271	20,866	-	-
53,420	-	647,271	20,866	-	-
<b>(7,777)</b>	<b>4,593</b>	<b>(302,438)</b>	<b>36,942</b>	<b>-</b>	<b>9</b>
1,719	-	8,009	-	-	-
-	-	-	-	-	-
15,150	-	419,600	-	-	-
16,869	-	427,609	-	-	-
-	-	-	-	-	-
-	11,995	-	-	-	-
-	-	6,530	-	-	-
-	-	60,100	20,000	-	-
-	11,995	66,630	20,000	-	-
<b>9,092</b>	<b>(7,402)</b>	<b>58,541</b>	<b>16,942</b>	<b>-</b>	<b>9</b>
-	-	-	-	-	-
52,236	81,509	236,135	50,944	79,509	9,777

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

<b>180 County Roads</b>	<b>181 Emergency Road Reserve</b>	<b>185 Flood/Storm Water Mgmt</b>	<b>186 Brinnon Flood Control</b>	<b>187 Quilcene Flood Control</b>	<b>199 County Fair</b>
-	-	-	-	-	-
3,685,393	77,373	11,150	10,458	145,262	36,348
-	-	-	-	-	-
3,733,090	-	-	-	-	-
125,571	-	-	-	-	-
4,046,515	-	-	-	-	34,080
13,444	-	-	-	-	68,034
-	-	-	-	-	-
7,313	65	-	-	-	122,889
7,925,933	65	-	-	-	225,003
1,102	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,981,712	-	-	-	-	-
-	-	711	609	123	-
-	-	-	-	-	-
-	-	-	-	-	217,779
5,982,814	-	711	609	123	217,779
<b>1,943,119</b>	<b>65</b>	<b>(711)</b>	<b>(609)</b>	<b>(123)</b>	<b>7,224</b>
206,426	-	-	-	-	-
-	-	-	-	-	-
211,615	-	-	-	-	4,550
418,041	-	-	-	-	4,550
-	-	-	-	-	-
33,684	-	-	-	-	-
2,181,426	-	-	-	-	10,199
-	75,000	-	-	-	-
2,215,110	75,000	-	-	-	10,199
<b>146,050</b>	<b>(74,935)</b>	<b>(711)</b>	<b>(609)</b>	<b>(123)</b>	<b>1,575</b>
-	-	-	-	-	-
3,831,443	2,438	10,439	9,849	145,139	37,923

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

<b>202 RID Bonds</b>	<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>
-	-	-	-	-	-
4,388	4,067	498,723	1,062,148	9,353	821,700
-	-	-	-	-	-
-	-	-	704,345	-	364,325
-	-	14,848	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4	1	-	50	7	894
<u>4</u>	<u>1</u>	<u>14,848</u>	<u>704,395</u>	<u>7</u>	<u>365,219</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>4</b>	<b>1</b>	<b>14,848</b>	<b>704,395</b>	<b>7</b>	<b>365,219</b>
-	1,069,549	-	-	-	-
-	-	-	-	-	-
-	-	460,100	550,000	-	-
-	<u>1,069,549</u>	<u>460,100</u>	<u>550,000</u>	<u>-</u>	<u>-</u>
-	1,070,565	-	-	-	-
-	-	-	631,678	-	-
-	-	302,325	-	7,169	988
-	-	-	400,000	-	285,245
-	<u>1,070,565</u>	<u>302,325</u>	<u>1,031,678</u>	<u>7,169</u>	<u>286,233</u>
<b>4</b>	<b>(1,015)</b>	<b>172,623</b>	<b>222,717</b>	<b>(7,162)</b>	<b>78,986</b>
-	-	-	-	-	-
4,392	3,052	671,346	1,284,865	2,191	900,686

The accompanying notes are an integral part of this statement.

<b>308 Conservation Futures</b>	<b>401 Solid Waste</b>	<b>405 Tri-Area Sewer</b>	<b>501 Equipment Rental &amp; Revolving</b>	<b>502 Risk Management Reserve</b>	<b>503 Employee Benefit Reserve</b>
-	-	-	-	-	-
612,446	1,526,036	672,383	4,019,311	219,922	386,051
-	116	-	69	-	-
231,656	-	-	-	-	-
-	-	-	-	-	-
-	85,350	170,713	-	-	-
-	2,673,230	-	1,973,923	13,779	-
-	-	-	-	-	-
799	1,610	744	-	-	14,529
<u>232,455</u>	<u>2,760,190</u>	<u>171,457</u>	<u>1,973,923</u>	<u>13,779</u>	<u>14,529</u>
-	-	-	-	44,580	-
-	-	-	-	-	-
-	2,343,653	120,153	-	-	-
-	-	-	1,380,117	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>2,343,653</u>	<u>120,153</u>	<u>1,380,117</u>	<u>44,580</u>	<u>-</u>
<b>232,455</b>	<b>416,537</b>	<b>51,304</b>	<b>593,806</b>	<b>(30,801)</b>	<b>14,529</b>
8,743	49,869	-	72,224	-	-
-	-	86,331	-	-	-
-	6,000	170,000	-	-	-
<u>8,743</u>	<u>55,869</u>	<u>256,331</u>	<u>72,224</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	162,570	-	-	-
471,934	229,498	-	465,577	-	-
-	23,750	-	-	-	400,580
<u>471,934</u>	<u>253,248</u>	<u>162,570</u>	<u>465,577</u>	<u>-</u>	<u>400,580</u>
<b>(230,736)</b>	<b>219,158</b>	<b>145,065</b>	<b>200,453</b>	<b>(30,801)</b>	<b>(386,051)</b>
-	21,000	-	-	-	-
381,710	1,724,310	817,448	4,219,833	189,121	-

The accompanying notes are an integral part of this statement.

<b>504 Employee Benefit Reserve</b>	<b>505 Employee Benefit Reserve</b>	<b>506 Information Services</b>	<b>507 Facilities Management</b>
-	-	-	-
4,741	306,960	1,199,168	480,813
-	-	1,552	493
-	-	-	-
-	-	-	-
-	-	-	-
-	176,935	1,579,068	1,005,714
-	-	-	-
-	6,657	-	2,095
-	183,592	1,579,068	1,007,809
-	99,924	1,122,755	996,346
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	99,924	1,122,755	996,346
-	<b>83,668</b>	<b>456,313</b>	<b>11,463</b>
-	-	-	27
-	-	-	-
-	405,321	-	-
-	405,321	-	27
-	-	-	-
-	-	-	-
-	-	461,032	-
4,741	71,035	-	-
4,741	71,035	461,032	-
<b>(4,741)</b>	<b>417,954</b>	<b>(4,719)</b>	<b>11,490</b>
-	-	-	-
-	724,914	1,196,001	492,796

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, 2014**

		<b>Total for All Funds (Memo Only)</b>	<b>602 Road Imp Guar</b>	<b>606 Drainfield Trust</b>	<b>610 Dispute Resolution Center</b>
308	Beginning Cash and Investments	768,216	5,000	117,899	530
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	36,590	-	114	6,091
380-390	Other Increases and Financing Sources	291,507	-	-	-
510-570	Expenditures	24,429	-	-	-
580-590	Other Decreases and Financing Uses	776,884	-	-	6,114
	Net Increase (Decrease) in Cash and Investments:	(473,216)	-	114	(23)
508	Ending Cash and Investments	295,000	5,000	118,013	507

		<b>625 Inmate Commissary Trust</b>	<b>626 Superior Court Trust</b>	<b>628 Sec 125 Admin</b>	<b>629 Animal Svc Donation Trust</b>
308	Beginning Cash and Investments	44,089	218,064	5,238	147
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	22,588	32	-	-
380-390	Other Increases and Financing Sources	-	-	-	-
510-570	Expenditures	24,429	-	-	-
580-590	Other Decreases and Financing Uses	9,000	218,096	-	-
	Net Increase (Decrease) in Cash and Investments:	(10,841)	(218,064)	-	-
508	Ending Cash and Investments	33,248	-	5,238	147

		<b>630 Animal Svc O &amp; M Donation Trust</b>	<b>634 County Timber Tax</b>	<b>638 Treasurer's Suspense</b>	<b>641 JC Community Network</b>
308	Beginning Cash and Investments	507	151,780	207,112	17,850
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	1,528	6,237
380-390	Other Increases and Financing Sources	-	-	291,507	-
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	-	151,780	391,894	-
	Net Increase (Decrease) in Cash and Investments:	-	(151,780)	(98,859)	6,237
508	Ending Cash and Investments	507	-	108,253	24,087

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

## JEFFERSON COUNTY

For the Year Ended December 31, 2014

### 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 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.

### Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

### 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 for 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, the county also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

Jefferson 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 the 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 follow:

<b>Fund/Department</b>	<b>Final Appropriated</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General Fund:			
Assessor	783,363	758,909	24,454
Auditor	541,353	541,352	1
Elections	224,695	224,694	1
Clerk	396,361	383,608	12,753
County Administrator	347,914	317,649	30,265
Commissioners	416,959	416,270	689
Board of Equalization	7,369	7,369	0
Civil Service	2,078	992	1,086
Planning Commission	33,824	30,678	3,146
Public Safety	155,266	151,593	3,673
Community Services	172,400	166,150	6,250
District Court	738,506	726,289	12,217
Juvenile Services	935,167	891,085	44,082
Prosecutor	946,537	946,475	62
Coroner	32,850	25,996	6,854
Sheriff	5,586,399	5,545,250	41,149
Superior Court	412,490	383,105	29,385
Treasurer	397,207	396,722	485
Operating Transfers	2,368,332	2,368,332	0
Non Departmental	3,195,324	3,016,214	179,110
<b>Total General Fund</b>	<b>\$17,694,394</b>	<b>\$17,303,420</b>	<b>\$390,974</b>
Auditor's O&M	124,689	85,194	39,495
Courthouse Facilitator	10,514	5,998	4,516
Boating Safety	90,379	88,619	1,760
Cooperative Extension	381,047	335,753	45,294
4H After School	65,100	41,858	23,242
Jeff Com Capital	385,000	275,355	109,645
Crime Victims	74,615	71,842	2,773
Grants Management	150,000	102,921	47,079
Hotel/Motel	296,213	285,813	10,400
H&HS Site Abatement	18,350	0	18,350
Public Health	4,090,185	3,844,005	246,180
Water Quality	832,521	706,063	126,458
Animal Services	20,701	20,700	1
Mental Health	44,250	42,500	1,750

<b>Fund/Department</b>	<b>Final Appropriated</b>	<b>Actual Expenditures</b>	<b>Variance</b>
Chemical Depnd/Mental	454,811	445,777	9,034
JC Drug	19,700	14,453	5,247
Sheriff Drug Invest	3,000	0	3,000
Law Library	16,000	9,602	6,398
Trial Court Improvement	19,410	17,509	1,901
Public Defense	43,200	42,002	1,198
Community Development	2,156,726	1,731,026	425,700
Federal Forest Title III	56,000	37,000	19,000
JC Affordable Housing	203,400	124,970	78,430
Treasurer O&M	46,014	28,681	17,333
REET Technology	13,313	0	13,313
Veteran's Relief	59,950	53,420	6,530
Water Pollution Control	11,995	11,995	0
Park & Recreation	750,392	713,901	36,491
Parks Improvement	47,790	40,866	6,924
PW Special Projects	0	0	0
Post Harvest Timber	3,962	0	3,962
Roads	12,336,732	8,197,915	4,138,817
Emergency Road Reserve	75,000	75,000	0
Facilities	1,102,907	996,346	106,561
Flood/Stormwater	4,464	711	3,753
Brinnon Flood Control	3,464	609	2,855
Quilcene Flood Control	11,462	123	11,339
County Fair	250,000	227,978	22,022
Debt Service	0	1,070,565	(1,070,565)
Construction & Renov	605,000	302,325	302,675
Co Capital Improvement	1,032,678	1,031,678	1,000
HJ Carroll Park	9,120	7,169	1,951
Public Infrastructure	750,000	286,233	463,767
Conservation Futures	901,763	471,934	429,829
Solid Waste	2,853,512	2,596,901	256,611
Tri Area Sewer	480,657	282,723	197,934
ER&R	2,777,826	1,845,691	932,135
Risk Management	150,000	44,580	105,420
Unemployment Reserve	420,500	400,580	19,920
Industrial Insurance	15,000	4,741	10,259
Employee Benefit Res	299,325	170,959	128,366
Information Services	1,796,231	1,583,787	212,444
<b>Total Other Funds</b>	<b>36,364,868</b>	<b>28,776,371</b>	<b>7,588,497</b>

Budgeted amounts are authorized to be transferred between departments within any fund; 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 Jefferson County 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 two 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. Sick leave may be accumulated up to 1,920 hours. Upon separation or retirement employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

In previous years, Compensated Absences were calculated for all employees regardless of retirement status. Beginning in 2014, this calculation considers whether or not the employee is actually eligible for retirement when determining sick buy-out liability.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources* consist of:

Amount	Fund #	Fund Name	Description
\$340,731	001	General Fund	Proceeds from sale of fixed assets; compensation for asset loss/impairment; current year refund; Timber Sales DNR
\$650	108	Cooperative Extension	Customer deposits
\$375	113	4H After School	Nonrevenue Reimbursement
\$1,698	127	Public Health	Timber Sales DNR
\$1,698	130	Mental Health	Timber Sales DNR
\$10,476	143	Community Development	Customer deposits; Proceeds from sale of fixed assets
\$1,719	155	Veterans' Relief	Timber Sales DNR
\$8,009	174	Parks & Recreation	Proceeds from sale of fixed assets; Compensation for loss of capital assets
\$206,426	180	County Roads	Proceeds from sale of fixed assets; Timber Sales DNR; Insurance recoveries
\$1,069,549	204	Debt Service	Other Nonrevenues
\$8,743	308	Conservation Futures	Timber Sales DNR
\$49,869	401	Solid Waste	Solid waste & refuse taxes; customer deposits, proceeds from sale of surplus equipment
\$72,224	501	Equipment Rental and Revolving	Proceeds from sale of surplus equipment; insurance recoveries/compensation for lost asset
\$27	507	Facilities Management	Proceeds from sale of fixed assets
<b>\$1,772,194</b>	<b>Total</b>		

The government's *Other Financing Uses* consist of:

Amount	Fund #	Fund Name	Description
\$1,070,565	204	Debt Service	Fiscal Agent fees; payments on notes
<b>\$1,070,565</b>	<b>Total</b>		

#### I. Risk Management

Jefferson 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, Kittitas, Lewis, Mason and Okanogan, Pacific, 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 sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million), and endorsements for LEED (Green Construction) Upgrades, optional Reproduction Coverage for historic structures, and Terrorism (\$20 million).

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

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

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



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

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

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

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

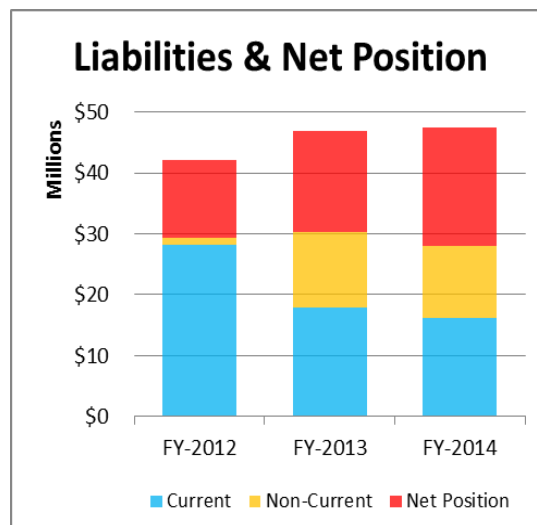
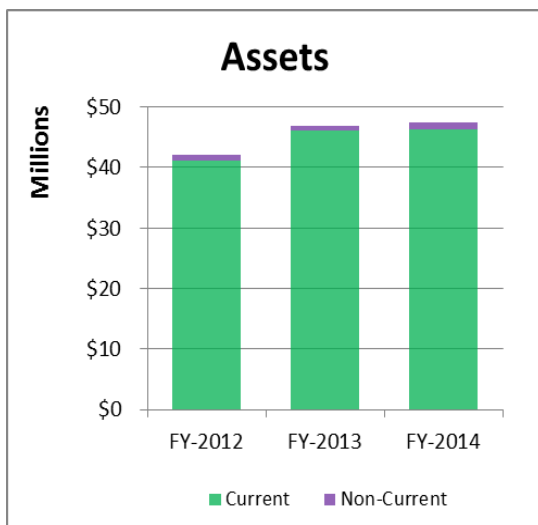
There are also the professionals from some of the most respected organizations worldwide which are retained by the Board to address specific needs of the Pool – PricewaterhouseCoopers, LLP furnishes independent actuarial services; Strategic Claims Direction, LLC conducts independent claims auditing;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

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

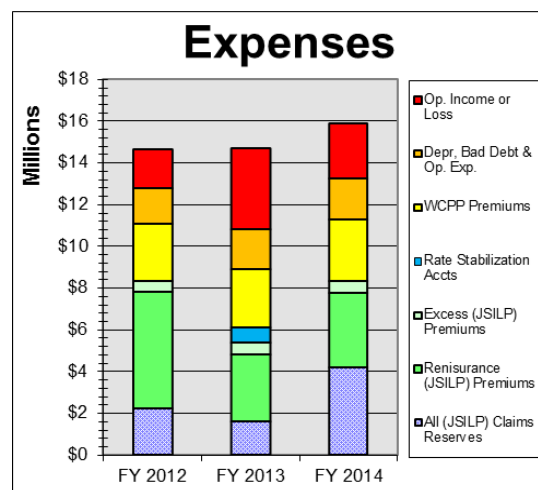
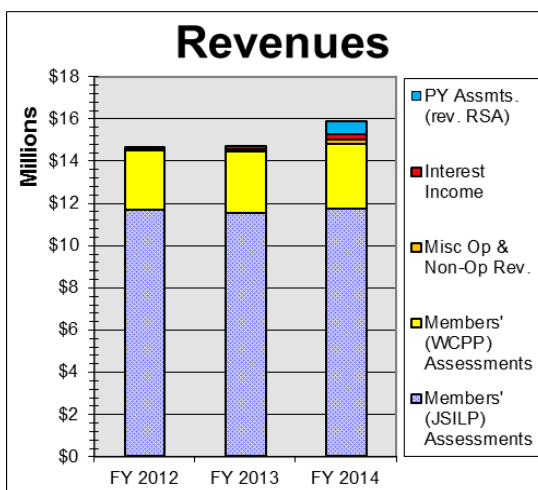
Net Position, which is frequently referred to as "Net Assets" or "Owners' Equity", improved 16% (\$2.65 million) to \$19.37 million as of September 30, 2014. And since 2004 ended "negative" \$0.69 million, Net Position improved by more than \$20 million over the course of the past decade. \$1.07 million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



fulfill WCRP's own sufficiency requirements in section D.2 of the Board of Directors' Underwriting Policy.



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



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

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

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when they are subject to restrictions on use imposed by external parties or due to internal commitments established by resolution. When expenditures that meet restrictions are incurred, Jefferson 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	\$514,149	Tax revenues restricted for specific use per RCW 67.28.180
143	Dept of Community Development	\$110,964	Customer deposits for the CASP (Critical Area Stewardship Program
147	Federal Forest Title III	\$78,005	Grant revenues received in advance for purposes defined by the grantor
401	Solid Waste	\$21,000	Customer deposits
127	Public Health	\$29,741	DSHS Long Term Payable
	<b>Total</b>	<b>\$753,859</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. 65-13). 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 2014 was \$1.67103 per \$1,000 on an assessed valuation of \$4,418,216,296 for a total regular levy of \$7,382,974.

The county's road levy for the year 2014 was 1.29108 per \$1,000 on an assessed valuation of \$3,198,454,859 for a total road levy of \$4,129,451.

Of the \$4,129,451 road levy, the county diverted \$720,004 to the General Fund for Sheriff Traffic Deputy's cost per RCW 84.52.043 (1) (d).

### Note 3 – Deposits and Investments

#### Deposits and Investments

It is Jefferson County's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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, 2014 are as follows:

<u>Type of Investment</u>	<u>Jefferson County's</u>	<u>Investments held by Jefferson County as an Agent for other local governments, individuals or private organizations</u>	<u>Total</u>
L.G.I.P.	\$11,986,693	\$ 41,810,986	\$ 53,797,679
Certificate of Deposits (13)	\$14,250,000	\$ 1,446,094	\$ 15,696,094
Savings Account	\$ -0-	\$ -0-	\$ -0-
U.S. Agency Securities	\$ 5,268,392	\$ -0-	\$ 5,268,392
<b>TOTAL</b>	<b>\$31,505,085</b>	<b>\$ 43,257,080</b>	<b>\$ 74,762,165</b>

### Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of Jefferson County and summarizes the county's debt transactions for the year ended December 31, 2014.

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>General Obligation Bonds</b>	<b>Revenue Bonds</b>	<b>Other Debt</b>	<b>Total Debt</b>
2014	813,549	-0-	301,679	1,115,228
2015	808,720	-0-	290,515	1,099,235
2016	811,060	-0-	289,462	1,100,522
2017	812,760	-0-	288,410	1,101,170
2018	819,815	-0-	287,357	1,107,172
2019-2023	2,164,015	-0-	821,786	2,985,801
2024-2028	1,955,440	-0-	-0-	1,955,440
2029-2030	560,775	-0-	-0-	560,775
2031-2047	-0-	-0-	1,676,155	1,676,155
Compensated Absences			505,674	505,674
<b>TOTALS</b>	<b>\$8,746,134</b>	<b>-0-</b>	<b>\$4,461,038</b>	<b>\$13,207,172</b>

## **Note 5 - Pension Plans**

Substantially all Jefferson County's full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS), Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), or Public Safety Employees Retirement System (PSERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the county's financial statements. Contributions to the system 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 downloaded at [www.drs.wa.gov](http://www.drs.wa.gov) or may be obtained by writing to:

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

## **Note 6 - Other Disclosures**

### **Fund Reclassifications / Closures**

As a result of recent reassessments, the County's classification of some fund balances, revenues and expenditures have changed from prior years in order to more accurately reflect the financial operations of the County.

- Facilities, formerly Fund 183 is now reclassified as Fund 507.
- County Fair, formerly Fund 640 is now reclassified as Fund 199.
- Revenues and expenditures have changed to meet BARS standards
- Fund 402 - Solid Waste Post Closure, a fund created for managerial purposes has been rolled up to its Proprietary Function, Enterprise Fund 401 – Solid Waste.
- Fund 403 - Solid Waste Equipment Reserve, a fund created for managerial purposes has been rolled up to its Proprietary Function, Enterprise Fund 401 – Solid Waste.
- Fund 404 - Yard Waste Education, a fund created for managerial purposes has been rolled up to its Proprietary Function, Enterprise Fund 401 – Solid Waste.
- Fund 114 Economic Development and Fund 129 Animal Services were closed in 2014. The costs for these services is now included in the General Fund

### **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 \$48,945 was paid out for those benefits during the year.

### Interlocal Agreement Regarding Emergency Services

Effective October 1, 2012, Jeff Com 911 entered into an agreement with Jefferson County, the City of Port Townsend, Jefferson County Fire Districts 1, 2, 3, 4 and 5 and were empowered to provide emergency communications and public safety services to the citizens within their respective jurisdictions, and may, therefore, pursuant to RCW 39.34.01 et seq, enter into an Interlocal Agreement with one another and with other public agencies to perform such services. This document was recorded as Auditor's File Number 568350 on July 3, 2012.

Per County Resolution 53-12 the Jeff Com agency was established as a separate entity effective October 1, 2012. Existing County funds 121, Jeff Com Enhancement, and 122, E-911 Telephone-Jeff Com, were closed while two new funds were created (Fund 671, JeffCom General, and Fund 672, JeffCom Capital) to be used for general purposes and Capital purposes, respectively. Existing County fund 119 (JeffCom Bond Indebtedness) was retained to be used for sales tax collection and bond payments.

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

<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 Obligations</b>						
263.81	PW TRUST FUND LOAN	7/1/2020	184,212	-	26,316	157,896
259.11	COMPENSATED ABSENCES		880,297	-	374,623	505,674
263.61	CASTLE HILL PROPERTY	12/1/2021	1,615,852	-	162,663	1,453,189
263.81	WATER LOAN L0700001	10/31/2014	10,014	-	10,014	(0)
263.81	WATER LOAN L0700030	12/31/2018	9,035	-	1,754	7,281
251.11	LTGO 2007-JeffCom	12/1/2026	1,845,000	-	110,000	1,735,000
251.11	LTGO BOND 2011 Tri Area	12/1/2030	1,970,000	-	85,000	1,885,000
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 REFG 2011-DPW	12/1/2018	1,685,000	-	370,000	1,315,000
263.81	PW TRUST FUND LOAN	8/1/2012	1,589,824	86,331	-	1,676,155
<b>Total General Obligations:</b>			<b>10,924,234</b>	<b>86,331</b>	<b>1,140,370</b>	<b>9,870,195</b>
<b>Total Liabilities:</b>			<b>10,924,234</b>	<b>86,331</b>	<b>1,140,370</b>	<b>9,870,195</b>

**Jefferson 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	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Wa Sate Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14-65400-007	67,563	-	67,563	4
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Wa Sate Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-007	29,331	-	29,331	4
Total CDBG - State-Administered CDBG Cluster:				96,894	-	96,894	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation	Highway Planning and Construction	20.205	WA PFH 43(1)	-	276,505	276,505	
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA6569	2,994	-	2,994	
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA7177	18,209	-	18,209	
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA6612	43,835	-	43,835	
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA7412	1,739	-	1,739	
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA7591	115,988	-	115,988	
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA8048	630,739	-	630,739	

Federal Agency (Pass-Through Agency)	Expenditures					Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total
Federal Highway Administration (fhwa), Department Of Transportation (via FWHA)	Highway Planning and Construction	20.205	LA7393	101,847	-	101,847
<b>Highway Safety Cluster</b>	<b>Total Highway Planning and Construction Cluster:</b>			<b>915,351</b>	<b>276,505</b>	<b>1,191,856</b>
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	383	-	383
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission) (via Washington Traffic Safety Commission)	Occupant Protection Incentive Grants	20.602	N/A	1,785	-	1,785
<b>Medicaid Cluster</b>	<b>Total Highway Safety Cluster:</b>			<b>2,168</b>	-	<b>2,168</b>
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Dept of Health)	Medical Assistance Program	93.778	1163-35242	64,692	-	64,692
<b>Other Programs</b>	<b>Total Medicaid Cluster:</b>			<b>64,692</b>	-	<b>64,692</b>
Food And Nutrition Service, Department Of Agriculture (via Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16887	94,143	-	94,143
Food And Nutrition Service, Department Of Agriculture (via Dept of Health)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16887	4,796	-	4,796
Food And Nutrition Service, Department Of Agriculture (via Dept of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C16887	143	-	143
	<b>Total CFDA 10.557:</b>			<b>98,939</b>	-	<b>98,939</b>



Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Economic Adjustment, Department Of Defense (via Kitsap County)	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	N/A	6,505	-	6,505	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via Juv Accountability Block Grant)	Juvenile Accountability Block Grants	16.523	1463-17244	6,550	-	6,550	
Violence Against Women Office, Department Of Justice (via Wa Sate Dept of Commerce)	Violence Against Women Formula Grants	16.588	F13-31103-016	15,516	-	15,516	
Region 10, Environmental Protection Agency (via N/A)	Puget Sound Watershed Management Assistance	66.120	PO-00J08601	11,293	-	11,293	
Region 10, Environmental Protection Agency (via Clallam County)	Puget Sound Watershed Management Assistance	66.120	PO-00J08801	6,339	-	6,339	
Region 10, Environmental Protection Agency (via N/A)	Puget Sound Watershed Management Assistance	66.120	PO-00J10001-1	156,844	-	156,844	3
Total CFDA 66.120:				174,476	-	174,476	
Region 10, Environmental Protection Agency (via N/A)	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	2013-29	7,269	-	7,269	
Region 10, Environmental Protection Agency (via Hood Canal Coordinating Council)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	N/A	7,562	-	7,562	
Region 10, Environmental Protection Agency (via Dept of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16887	7,553	-	7,553	3
Region 10, Environmental Protection Agency (via Dept of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16887	19,000	-	19,000	3

Federal Agency (Pass-Through Agency)	Expenditures					Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	
Region 10, Environmental Protection Agency (via Northwest Straits Foundation)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	WDFW 12-1940	154	-	154
	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16887	73,000	-	73,000 3
Region 10, Environmental Protection Agency (via Dept of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16887	35,630	-	35,630 3
	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16887	1,991	-	1,991 3
Total CFDA 66.123:			144,890	-	-	144,890
Office Of Water, Environmental Protection Agency (via Wa St Dept of Ecology)	National Estuary Program	66.456	G1400326	62,517	-	62,517
Office Of Water, Environmental Protection Agency (via Wa St Dept of Ecology)	National Estuary Program	66.456	SEANWS-2014- JeCoWS-00006	9,711	-	9,711
Total CFDA 66.456:			72,229	-	-	72,229
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Public Health Emergency Preparedness	93.069	C16887	36,900	-	36,900 3
Office Of Population Affairs, Department Of Health And Human Services (via Dept of Health)	Family Planning_Services	93.217	C16887	22,372	-	22,372 3
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Dept of Health)	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1363-90011	59,684	-	59,684 3

Federal Agency (Pass-Through Agency)	Expenditures					Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Immunization Cooperative Agreements	93.268	C16887	8,556	-	3
Centers For Disease Control And Prevention, Department Of Health And Human Services (via N/A)	Immunization Cooperative Agreements	93.268	N/A	13,221	-	2
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	PREV3163	670	-	670
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	PREV3583	503	-	503
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	N/A	7,355	-	3
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Choice Reg Health Network)	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBE-075-05	11,604	-	11,604
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	C16887	24,015	-	3
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	C16887	15,598	-	3
<b>Total CFDA 93.268:</b>			<b>21,777</b>	<b>21,777</b>	-	<b>21,777</b>
<b>Total CFDA 93.283:</b>			<b>8,528</b>	<b>8,528</b>	-	<b>8,528</b>
<b>Total CFDA 93.283:</b>			<b>8,528</b>	<b>8,528</b>	-	<b>8,528</b>

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
				Total CFDA 93.539:		39,613	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733	C16887	769	-	769	3
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	1163-27310	33,118	-	33,118	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Dept of Health)	Preventive Health and Health Services Block Grant	93.991	N/A	22,296	-	22,296	3
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	C16887	19,729	-	19,729	3
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	C16887	14,976	-	14,976	3
Department Of Homeland Security (via Wa State Parks & Rec Commission)	Boating Safety Financial Assistance	97.012	N/A	15,663	-	15,663	
Department Of Homeland Security (via Dept of Homeland Security)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-796, PW653	2,787	-	2,787	
Department Of Homeland Security (via Dept of Homeland Security)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-796, PW202	95,838	-	95,838	
Department Of Homeland Security (via Dept of Homeland Security)	Emergency Management Performance Grants	97.042	E15-160	16,577	-	16,577	
			<b>Total CFDA 97.036:</b>	<b>98,625</b>	<b>-</b>	<b>98,625</b>	
			<b>Total CFDA 93.994:</b>	<b>34,705</b>	<b>-</b>	<b>34,705</b>	

Federal Agency (Pass-Through Agency)	Expenditures					Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total
Department Of Homeland Security (via Dept of Homeland Security)	Emergency Management Performance Grants	97.042	E14-108	16,101	-	16,101
Total CFDA 97.042:				32,678	-	32,678
Department Of Homeland Security (via 2009-PU-T9-K044)	Port Security Grant Program	97.056	N/A	19,203	-	19,203
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 Military Dept/Kitsap County)	Homeland Security Grant Program	97.067	E12-178	10,982	-	10,982
Department Of Homeland Security (via Military Dept/Kitsap County)	Homeland Security Grant Program	97.067	E14-157	7,719	-	7,719
Total CFDA 97.067:				19,928	-	19,928
Total Federal Awards Expended:				2,083,085	276,505	2,359,590

JEFFERSON 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 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 States of America.

NOTE 2 - 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.

NOTE 3 - INDIRECT COST RATE

The amount expended includes \$108,671.17 claimed as an indirect cost recovery using an approved indirect cost rate of between 15 percent and 25 percent.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$96,894 that was passed through to a subrecipient that administered its own project.

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

### Jefferson County January 1, 2014 through December 31, 2014

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

<b>Finding ref number:</b> 2014-001	<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> Grace Crombleholme, Accountant 1820 Jefferson Street Port Townsend, WA 98368 (360) 385-9121	
<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 Budget Manager will be working as a team to research and find solutions to the issues identified in the audit.</i>  <i>Looking at putting in place checklist for balancing between the bank, treasurer's office and auditor's office.</i>  <i>Adequate resources and training to be provided to staff to ensure financial reporting is accurate, complete and in accordance to the BARS Manual.</i>  <i>A 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>	
<b>Anticipated date to complete the corrective action:</b> Submission of 2015 Annual Report – May of 2016	

## 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	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>