



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report **Clallam County**

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

**Published September 29, 2016**

**Report No. 1017638**





## Washington State Auditor's Office

September 29, 2016

Board of Commissioners  
Clallam County  
Port Angeles, Washington

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

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

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

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

#### Financial Statements

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

#### Internal Control over Financial Reporting:

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

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

#### Federal Awards

#### Internal Control over Major Programs:

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

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

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

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

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.665	Schools and Roads – Grants to States
20.205	Highway Planning and Construction
93.563	Child Support Enforcement

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

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

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

None reported.

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

None reported.

**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**

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

Board of Commissioners  
Clallam County  
Port Angeles, 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 Clallam County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 26, 2016.

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

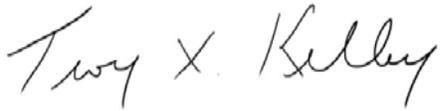
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

## **PURPOSE OF THIS REPORT**

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

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 26, 2016

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

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

Board of Commissioners  
Clallam County  
Port Angeles, Washington

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

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

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

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

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

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

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

### **Purpose of this Report**

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



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 26, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Commissioners  
Clallam County  
Port Angeles, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Clallam County, Washington, for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 15.

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

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

#### Auditor's Responsibility

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

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

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

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

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

As described in Note 1, Clallam 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 Clallam County, for the year ended December 31, 2015, on the basis of accounting described in Note 1.

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

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the 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 Clallam County, as of December 31, 2015, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

September 26, 2016

## **FINANCIAL SECTION**

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

#### **FINANCIAL STATEMENTS**

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

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

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

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

		Total for All Funds (Memo Only)	001 General	101 Roads
<b>Beginning Cash and Investments</b>				
30810	Reserved	1,694,265	1,500,000	-
30880	Unreserved	52,499,299	10,948,723	18,344,599
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	29,369,364	15,822,030	7,412,039
320	Licenses and Permits	739,370	705,050	34,320
330	Intergovernmental Revenues	14,987,252	4,898,177	6,639,356
340	Charges for Goods and Services	13,278,181	7,303,821	100,233
350	Fines and Penalties	859,627	843,656	-
360	Miscellaneous Revenues	1,983,074	1,575,500	200,964
Total Operating Revenues:		<u>61,216,868</u>	<u>31,148,234</u>	<u>14,386,912</u>
<b>Operating Expenditures</b>				
510	General Government	15,012,593	12,467,177	73,832
520	Public Safety	17,224,867	12,603,998	500,020
530	Utilities	439,584	2,372	-
540	Transportation	11,389,473	-	9,315,317
550	Natural and Economic Environment	3,022,849	2,179,764	121,271
560	Social Services	5,813,387	1,435,160	-
570	Culture and Recreation	2,395,090	2,372,076	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>55,297,843</u>	<u>31,060,547</u>	<u>10,010,440</u>
Net Operating Increase (Decrease):		<u>5,919,025</u>	<u>87,687</u>	<u>4,376,472</u>
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	1,714,330	540,929	509,127
391-393	Debt Proceeds	-	-	-
397	Transfers-In	2,562,799	45,000	500,000
Total Nonoperating Revenues:		<u>4,277,129</u>	<u>585,929</u>	<u>1,009,127</u>
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	13,512	-	443
591-593	Debt Service	52,501	-	-
594-595	Capital Expenditures	8,844,179	189,347	3,960,080
597	Transfers-Out	2,562,799	936,655	2,061
Total Nonoperating Expenditures:		<u>11,472,991</u>	<u>1,126,002</u>	<u>3,962,584</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>(1,276,837)</u></b>	<b><u>(452,386)</u></b>	<b><u>1,423,015</u></b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	1,681,387	1,500,000	-
5088000	Unreserved	51,235,340	10,496,337	19,767,614
<b>Total Ending Cash and Investments</b>		<b><u>52,916,727</u></b>	<b><u>11,996,337</u></b>	<b><u>19,767,614</u></b>

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

<b>110 Nine One One Enhanced</b>	<b>113 Health and Human Services</b>	<b>114 Law Library</b>	<b>117 Local Crime Victim</b>	<b>119 Racketeering</b>	<b>122 Land Assessment</b>
-	194,265	-	-	-	-
497,787	2,260,470	18,671	158,289	1,752	331,585
-	-	-	-	-	-
676,989	1,295,945	-	-	-	8,699
-	-	-	-	-	-
979,093	2,031,703	-	35,119	-	11,729
194,036	682,977	27,059	33,718	-	79,041
15,885	-	-	-	-	-
58,465	7,917	11	-	3	259
<b>1,924,468</b>	<b>4,018,542</b>	<b>27,070</b>	<b>68,837</b>	<b>3</b>	<b>99,728</b>
-	-	-	75,034	1	99,875
1,749,918	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,252,061	-	-	-	-
-	-	23,014	-	-	-
-	-	-	-	-	-
<b>1,749,918</b>	<b>4,252,061</b>	<b>23,014</b>	<b>75,034</b>	<b>1</b>	<b>99,875</b>
<b>174,550</b>	<b>(233,519)</b>	<b>4,056</b>	<b>(6,197)</b>	<b>2</b>	<b>(147)</b>
-	8,531	-	43	-	411
-	-	-	-	-	-
-	918,072	-	-	-	-
-	<b>926,603</b>	-	<b>43</b>	-	<b>411</b>
-	12,878	-	-	-	-
-	-	-	-	-	-
220,652	-	-	-	-	-
-	-	-	-	-	-
<b>220,652</b>	<b>12,878</b>	-	-	-	-
<b>(46,102)</b>	<b>680,206</b>	<b>4,056</b>	<b>(6,154)</b>	<b>2</b>	<b>264</b>
-	181,387	-	-	-	-
451,685	2,953,554	22,727	152,135	1,754	331,849
<b>451,685</b>	<b>3,134,941</b>	<b>22,727</b>	<b>152,135</b>	<b>1,754</b>	<b>331,849</b>

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

<b>124 Document Preservation</b>	<b>129 Dispute Resolution</b>	<b>130 Noxious Weed Control</b>	<b>135 DC 1 Probation</b>	<b>199 Veterans Relief</b>	<b>254 RID #142</b>
-	-	-	-	-	-
420,015	2,520	244,863	63,074	4,320,492	463
-	-	-	-	-	-
-	-	-	-	2,738,503	-
-	-	-	-	-	-
53,827	-	79,308	-	45,877	-
37,696	20,280	-	205,252	7,048	-
-	-	-	-	-	-
-	-	108,527	100	5,156	437
<b>91,523</b>	<b>20,280</b>	<b>187,835</b>	<b>205,352</b>	<b>2,796,584</b>	<b>437</b>
61,550	21,455	-	200,000	-	-
-	-	-	-	2,370,931	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	177,497	-	544,317	-
-	-	-	-	126,166	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>61,550</b>	<b>21,455</b>	<b>177,497</b>	<b>200,000</b>	<b>3,041,414</b>	<b>-</b>
<b>29,973</b>	<b>(1,175)</b>	<b>10,338</b>	<b>5,352</b>	<b>(244,830)</b>	<b>437</b>
-	-	-	-	3,839	-
-	-	-	-	-	-
-	-	-	-	28,683	-
-	-	-	-	32,522	-
-	-	-	-	-	-
-	-	-	-	48,194	463
-	-	-	-	5,036	-
-	-	-	-	1,045,000	-
-	-	-	-	1,098,230	463
<b>29,973</b>	<b>(1,175)</b>	<b>10,338</b>	<b>5,352</b>	<b>(1,310,538)</b>	<b>(26)</b>
-	-	-	-	-	-
449,988	1,345	255,201	68,426	3,009,954	437
<b>449,988</b>	<b>1,345</b>	<b>255,201</b>	<b>68,426</b>	<b>3,009,954</b>	<b>437</b>

The accompanying notes are an integral part of this statement.

<b>256 RID #141</b>	<b>261 RID #138</b>	<b>274 RID #149</b>	<b>295 LID 3rd Street Sewer</b>	<b>301 REET</b>	<b>302 REET 2</b>
-	-	-	-	-	-
1,400	82	2,362	34,808	1,163,821	2,003,704
-	-	-	-	-	-
-	-	-	-	709,402	705,757
-	-	-	-	-	-
-	-	-	-	139,400	25,187
-	-	-	-	-	-
-	-	86	-	-	-
1,322	-	1,942	16,415	17	-
<u>1,322</u>	<u>-</u>	<u>2,028</u>	<u>16,415</u>	<u>848,819</u>	<u>730,944</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,322</u>	<u>-</u>	<u>2,028</u>	<u>16,415</u>	<u>848,819</u>	<u>730,944</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,000,000
-	-	-	-	-	<u>1,000,000</u>
-	-	-	-	-	-
1,400	82	2,362	-	-	-
-	-	-	-	515,711	433,321
-	-	-	28,683	-	550,000
<u>1,400</u>	<u>82</u>	<u>2,362</u>	<u>28,683</u>	<u>515,711</u>	<u>983,321</u>
<b>(78)</b>	<b>(82)</b>	<b>(334)</b>	<b>(12,268)</b>	<b>333,108</b>	<b>747,623</b>
-	-	-	-	-	-
1,322	-	2,028	22,540	1,496,929	2,751,327
<u>1,322</u>	<u>-</u>	<u>2,028</u>	<u>22,540</u>	<u>1,496,929</u>	<u>2,751,327</u>

The accompanying notes are an integral part of this statement.

<b>305 Capital Projects</b>	<b>307 Capital Projects IT</b>	<b>308 Carlsborg Sewer</b>	<b>402 Solid Waste</b>	<b>414 Clallam Bay Sewer</b>	<b>503 ER &amp; R</b>
-	-	-	-	-	-
2,292,782	291,349	3,488,822	11,459	328,004	2,503,238
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	48,476	-	-
-	-	-	29,997	268,040	3,044,455
-	-	-	-	-	-
-	-	-	25	3,662	2,352
-	-	-	78,498	271,702	3,046,807
-	-	-	-	-	-
-	-	-	-	-	-
-	-	19,796	73,094	344,322	-
-	-	-	-	-	2,074,156
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	19,796	73,094	344,322	2,074,156
-	-	(19,796)	5,404	(72,620)	972,651
99,801	-	-	-	-	551,649
-	-	-	-	-	-
-	-	-	-	50,000	-
99,801	-	-	-	50,000	551,649
-	-	-	-	-	191
-	-	-	-	-	-
178,325	132,205	2,036,563	-	-	1,165,803
-	-	-	-	-	400
178,325	132,205	2,036,563	-	-	1,166,394
<b>(78,524)</b>	<b>(132,205)</b>	<b>(2,056,359)</b>	<b>5,404</b>	<b>(22,620)</b>	<b>357,906</b>
-	-	-	-	-	-
2,214,258	159,144	1,432,463	16,863	305,384	2,861,144
<b>2,214,258</b>	<b>159,144</b>	<b>1,432,463</b>	<b>16,863</b>	<b>305,384</b>	<b>2,861,144</b>

The accompanying notes are an integral part of this statement.

<b>504 Risk Management</b>	<b>505 Workers Compensation</b>	<b>506 Employee Health Care</b>	<b>507 Unemployment Compensation</b>
-	-	-	-
1,203,150	1,287,859	29,800	243,356
-	-	-	-
-	-	-	-
-	-	-	-
859,792	362,360	-	22,376
-	-	-	-
-	-	-	-
<u>859,792</u>	<u>362,360</u>	<u>-</u>	<u>22,376</u>
1,305,973	641,238	20,844	45,614
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,305,973</u>	<u>641,238</u>	<u>20,844</u>	<u>45,614</u>
<u>(446,181)</u>	<u>(278,878)</u>	<u>(20,844)</u>	<u>(23,238)</u>
-	-	-	-
-	-	-	-
-	-	21,044	-
-	-	<u>21,044</u>	-
-	-	-	-
-	-	-	-
7,136	-	-	-
-	-	-	-
<u>7,136</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(453,317)</u>	<u>(278,878)</u>	<u>200</u>	<u>(23,238)</u>
-	-	-	-
749,833	1,008,981	30,000	220,118
<b>749,833</b>	<b>1,008,981</b>	<b>30,000</b>	<b>220,118</b>

The accompanying notes are an integral part of this statement.

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

		<b>Total for All Funds (Memo Only)</b>	<b>624 Unclaimed Warrants</b>	<b>625 Workers Comp Reserve</b>	<b>629 RID Guarantee</b>
308	Beginning Cash and Investments	4,649,265	57,665	2,691,921	29,381
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	26,748,634	3,267	-	46
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	27,420,155	1,455	-	-
	Net Increase (Decrease) in Cash and Investments:	(671,521)	1,812	-	46
508	Ending Cash and Investments	3,978,564	59,477	2,691,921	29,427

		<b>633 Commissary and Welfare</b>	<b>690 School Real Estate Excise Tax</b>	<b>691 WA State Housing Trust</b>	<b>697 Retainage Suspense</b>
308	Beginning Cash and Investments	114,479	1,280,524	328,610	146,685
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	43,331	7,870,576	18,814,768	16,646
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	43,554	8,366,294	18,932,167	76,685
	Net Increase (Decrease) in Cash and Investments:	(223)	(495,718)	(117,399)	(60,039)
508	Ending Cash and Investments	114,256	784,806	211,211	87,466

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

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clallam County was incorporated on April 26, 1854 and operates under State of Washington laws applicable to a Home Rule Charter County. The County is a general purpose government and provides Sheriff, Jail, Fire Marshall, Sewage Collection/Treatment, Road Maintenance, Planning and Zoning, Parks, Fair, Judicial Administration, Health and Social Services, Juvenile, and General Administrative Services.

Clallam 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. Basis of Presentation - Fund Accounting

Financial transactions of the County 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 County'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 is the County's general operating fund; accounting for all financial resources and transactions except those required 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 specific purposes of the County.

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

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 Project Funds

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

Proprietary Fund Types

Enterprise Funds

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

Internal Service Funds

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

Fiduciary Fund Types

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

Private-Purpose Trust Funds

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

Agency Funds

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

B. Basis of Accounting

Basis of Accounting determines when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when cash is paid.

Purchases of capital assets are expensed at the time of acquisition. There is no capitalization of capital assets or allocation of depreciation expense. Inventory is expensed when purchased.

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

C. Budgets and Budgetary Accounting

1. Annual appropriated budgets are adopted for approximately 60 governmental funds on cash basis of accounting with no significant differences between the budgetary basis and the accounting basis. Budgets are adopted at the fund level, or the department level in the general fund, which constitute the legal authority for expenditures at that level. Appropriations lapse at year end.

2. Amending the Budget

The County Administrator is authorized to transfer budget amounts between departments within any fund/department. However, any revisions that alter the total expenditures of the County, amount of capital purchases, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the County Commissioners. Revisions within funds are allowed, but supplemental or additional appropriations must be approved by the legislative authority following public hearings. The County's budget was amended 181 times during 2015.

3. The appropriated and actual expenditures for the legally adopted budgets were:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
GENERAL FUND			
ASSESSOR	1,536,400	1,428,060	108,340
AUDITOR	1,183,486	1,079,048	104,438
TREASURER	783,156	707,531	75,625
BOCC OPERATIONS	649,254	620,013	29,241
BOUNDARY REVIEW BOARD	3,630	100	3,530
PORT CRESCENT CEMETARY	3,000	2,372	628
BOARD OF EQUALIZATION	62,523	48,051	14,472
NON-DEPARTMENTAL	1,331,474	1,243,791	87,683
OPERATING TRANSFERS OUT	946,072	936,655	9,417
DCD ADMINISTRATION	345,885	314,422	31,463
DCD ENVIRONMENTAL QUALITY	175,811	130,993	44,818
DCD PERMIT CENTER	833,712	813,042	20,670
DCD PLANNING	1,337,201	483,968	853,233
HEARING EXAMINER	91,295	41,905	49,390
INFORMATION TECHNOLOGY	1,461,202	1,378,163	83,039
HUMAN RESOURCEAS	588,722	521,289	67,433
ENVIRONMENTAL HEALTH	1,332,016	1,256,428	75,588
SHERIFF OPERATIONS	5,505,606	5,376,797	128,809
SHERIFF COMMUNITY PROJECTS	114,045	100,099	13,946
ANIMAL CONTROL	194,716	191,108	3,608
SEARCH & RESCUE	18,150	12,549	5,601
JAIL	3,635,318	3,537,508	97,810
JAIL MEDICAL	564,343	512,454	51,889
EMERGENCY SERVICES	328,273	288,980	39,293

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

INDIGENT DEFENSE	930,370	930,369	1
PROSECUTING ATTORNEY	1,784,923	1,720,356	64,567
CHILD SUPPORT	236,256	210,285	25,971
CORONER	151,800	89,990	61,810
JUVENILE SERVICES	3,109,256	2,898,810	210,446
SUPERIOR COURT	1,389,371	1,261,176	128,195
DISTRICT COURT I	693,310	658,323	34,987
DISTRICT COURT II	314,887	306,315	8,572
CLERK	761,927	707,595	54,332
PARKS AND FACILITIES	1,946,682	1,921,973	24,709
FAIR	404,032	398,524	5,508
WSU EXTENSION	52,687	51,537	1,150
FLOOD CONTROL	10,584	6,381	4,203
TOTAL GENERAL FUND	34,811,375	32,186,960	2,624,415
ROADS	16,312,671	13,973,024	2,339,647
SHERIFF'S HONOR GUARD DONATION	3,910	-	3,910
RECREATIONAL AND BOATING FUND	89,307	55,762	33,545
SHERIFF OFFICE DRUG FUND	13,081	7,993	5,088
SHERIFF OPNET DRUG FUND	252,853	211,857	40,996
NINE-ONE-ONE ENHANCED	1,170,325	1,096,107	74,218
OPSCAN OPERATIONS	238,503	209,993	28,510
SHERIFF STONEGARDEN GRANT	447,485	383,892	63,593
24/7 SOBRIETY PROGRAM	18,749	4,966	13,783
HEALTH & HUMAN SERVICES	1,755,968	1,619,903	136,065
ALCOHOL/DRUG ABUSE	939,404	526,090	413,314
HOMELESS TASK FORCE	604,698	324,585	280,113
CHEMICAL DEPENDENCY	1,203,411	849,920	353,491
AFFORDABLE HOUSING	50,000	41,659	8,341
DEVELOPMENTAL DISABILITIES	1,077,137	889,904	187,233
LAW LIBRARY	26,032	23,014	3,018
CRIME VICTIM COMP/LOCAL	121,053	75,034	46,019
RACKETEERING FUND	5	1	4
TREASURER'S O & M	80,148	69,558	10,590
REET ELECTRONIC TECHNOLOGY	23,500	20,122	3,378
LAND ASSESSMENT	10,400	10,195	205
DOCUMENT PRESERVATION	159,689	61,549	98,140
DISPUTE RESOLUTION CENTER	15,385	14,740	645
COURTHOUSE FACILITATOR	11,435	6,715	4,720
NOXIOUS WEED CONTROL	205,510	171,115	34,395
LMD#2 LAKE SUTHERLAND	15,394	6,382	9,012
PROBATION DISTRICT COURT I	252,504	200,000	52,504
TRIAL COURT IMPROVEMENTS	30,000	30,000	-
VETERANS' RELIEF	158,423	131,202	27,221
FEDERAL FOREST REPLACEMENT	101	1	100
HOTEL/MOTEL TAX	534,487	533,486	1,001
OPPORTUNITY FUND	10,308,620	2,377,965	7,930,655
EMERGENCY COMMUNICATIONS TAX	1,097,600	1,066,990	30,610
R I D #142 BUSINESS PARK LOOP	1,540	463	1,077
R I D #141 SCHOOL HOUSE ROAD	1,400	1,400	-
LAKE DAWN MANAGEMENT	134	-	134
R I D #138 MARCH BANKS ROAD	82	82	-
R I D #149 OSBORN ROAD	2,363	2,362	1
LID 3RD STREET SEWER LINE	28,683	28,683	-
REAL ESTATE EXCISE TAX PROJECT	820,000	515,710	304,290
REAL ESTATE EXCISE TAX 2	1,322,000	983,321	338,679

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

	CAPITAL PROJECTS	180,500	178,325	2,175
	CAPITAL PROJECTS INFO TECH	274,564	132,205	142,359
	CAPITAL PROJECTS CARLSBORG SEWER	10,536,220	2,056,360	8,479,860
	SOLID WASTE	82,667	73,094	9,573
	CLALLAM BAY-SEKIU SEWER	426,316	344,322	81,994
1+1	EQUIPMENT RENTAL & REVOLVING	4,048,197	3,240,550	807,647
	RISK MANAGEMENT	1,464,435	1,313,109	151,326
	WORKERS' COMPENSATION CLAIMS	743,502	641,238	102,264
	EMPLOYEE HEALTH CARE BENEFIT	36,925	20,844	16,081
	UNEMPLOYMENT COMPENSATION	50,000	45,614	4,386
	 TOTAL COUNTY	 57,247,316	 34,571,406	 22,675,910

D. Deposits and Investments - See Note 2.

E. Capital Assets

Assets with anticipated useful lives in excess of one year and with a purchase price of \$5,000 or more are deemed capital assets. Under cash basis of accounting they are recorded as expenditures when purchased.

F. Compensated Absences

Employees may accumulate vacation leave up to 480 hours (or the hours of vacation to be accrued in 24 months at current accrual rate in the case of Teamsters Union members) of which up to 400 hours is payable upon separation. Sick leave may accumulate without limit and is payable generally at 20% on retirement or 10% at other separation. Payouts are calculated at wage rates at the date of termination. Payments are recognized as expenditures when paid.

G. Long-Term Debt - See Notes 5 and 6.

H. Other Financing Sources and Uses

The County's Other Financing Sources consist of transfers-in and sales of County owned timber. Other Financing Uses consist of transfers out.

I. Risk Management - See Note 7.

J. Fund Balance Classification

At December 31, 2015, the Clallam County Board of Commissioners had reserved part of the general fund's ending fund balance as follows:

Insurance Deductible	1,000,000
Unemployment/Separation	500,000
 Total	 \$1,500,000

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

The 2016 general fund budget as originally approved in December 2015 included a deficit of \$2,978,758.

In addition the Alcohol and Drug Abuse fund and the Developmental Disabilities fund had restrictions in their fund balances of \$82,545 and \$98,842 respectively for advances from the Washington State Department of Health and Human Services.

NOTE 2 - DEPOSITS AND INVESTMENTS

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 the County or its agent in the County's name. All deposits are stated at cost, with no material difference between cost and market value.

As of December 31, 2015 the County had the following investments:

	Fair value of County investments	Fair value of investments held by County as agent	Total
Demand Deposits	\$ 6,473,090	\$ 979,358	\$ 7,452,448
Time Deposits	31,726,285	7,690,039	39,416,324
US Government Securities	-	-	-
State Investment Pool	<u>19,630,720</u>	<u>39,368,799</u>	<u>58,999,519</u>
 Total	 <u><u>\$ 57,830,095</u></u>	 <u><u>\$ 48,038,196</u></u>	 <u><u>\$ 105,868,291</u></u>

NOTE 3 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections during the month are distributed to each applicable fund at the end of the month except for the cities and state which are distributed on the 10th and 20th respectively.

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

The County's regular tax levy rate for 2015 was \$1.4059980243 per \$1,000 on a total assessed valuation of \$7,054,903,078 for a regular levy total of \$10,183,386. The total 2015 levy rate of \$1.4434480243 was comprised of four funds: General at \$1.4059980243; Veterans' Relief at \$.01125; Land Assessment at \$.00120; and Health and Human Services at \$.02500.

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

NOTE 4 - INTERTERFUND TRANSACTIONS AND BALANCES

Interfund transactions are classified as follows:

- A. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the County.
- B. Transfers to support the operations of other funds are recorded as “Transfers” and classified with “Other Financial Sources or Uses.”
- C. At December 31, 2014 there was a loan payable balance outstanding payable by the Road Improvement funds as a group to the Roads fund in the total of \$13,846. There were no new loans on this balance in 2015, and after payments of \$2,775 the balance at December 31, 2015 was \$11,071.

NOTE 5 - LONG-TERM DEBT

A. Long-Term Debt

In 2004 the Clallam County borrowed \$750,000 from the Washington State Community Economic Revitalization Board as a general obligation debt and re-loaned that amount to the Clallam Business Incubator, Inc. to aid in the construction of the Incubator facilities. The County is obligated to repay the loan in installments beginning in 2008 and continuing through 2025. Interest on the loan is stated at 1%. At December 31, 2015 the principal outstanding on this loan payable was \$456,456 due in annual payments of \$48,193.54 through 2025. Total payments of interest and principal will be \$240,968 for each of the five year periods ending in 2020 and 2025.

In 2012 the Clallam Business Incubator closed, its assets and liabilities were assumed by the Port Angeles School district, and Clallam County forgave the balance of the loan that had been made to the Incubator and assumed by the school.

In 2013 Clallam County Public Utility District (PUD) signed a loan agreement with the Washington State Public Works Board for a maximum of \$10,000,000 to partially fund the construction of a wastewater facility in the Carlsborg Urban Growth Area in Clallam County. Subsequently in 2013, Clallam County assumed this loan from the PUD as a general obligation debt. The payments of principal and interest on the loan will be due annually through June 1, 2048. Advances under this loan will be paid to the County as the County submits progress invoices to the state for reimbursement of eligible costs incurred. Interest on the loan will accrue with the date of each advance at .5% per annum which can be reduced if certain schedule incentives are met. Actual principal and interest payments due will depend on the timing and the amounts of advances made against the loan. In 2013 the County received an advance against the loan of \$33,045. No additional advances were made in 2014 or 2015.

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

The Clallam County Board of Commissioners has resolved to repay both of these **these** loans out of the County's Opportunity Fund which receives most of its revenue under RCW 82.14.370. If this revenue stream is not sufficient to meet the payment requirements of these loans, the County will be obligated to allocate other resources to make the payments. In the opinion of Clallam County management, such other resources will be available to meet these obligations without materially affecting the County's other obligations and operations.

- B. Compensated Absences - The County's liability to employees for compensated absences consists of amounts due for accrued vacation and compensatory time, and depending on the circumstances of an employee's separation, some portion of sick time accrued. The County uses an amount of 15% of accrued sick time to approximate the value of sick time accrued for purposes of liability disclosure. Liability is determined at the current pay rates for employees at the end of each year. Under this calculation, the liability for compensated absences at December 31, 2015 was \$2,460,831 which was a decrease of \$105,511 from the end of 2014.

NOTE 6 - PENSION PLANS

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

Public Employee's Retirement System (PERS) Plans I, II, and III  
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans I and II  
Public Safety Employees' Retirement Systems (PSERS) Plan II

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

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

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

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

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

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

	Allocation %	Liability (Asset)
PERS 1	0.17%	8,782,418
PERS 2/3	0.18%	6,479,167
PSERS 2	0.45%	81,627
LEOFF 1	0.02%	(203,128)
LEOFF 2	0.09%	(940,807)

LEOFF 1

The County participates in LEOFF 1 which is fully funded and no employer or employee contributions have been required since June 2000. If the plan becomes underfunded, funding the remaining liability will require new legislation.

LEOFF 2

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

NOTE 7 - RISK MANAGEMENT

A. Liability Risk Pool

Clallam County is a participating member of the Washington Counties Risk Pool (WCRP). A copy of the pool's annual report is available on the pool's website at [www.wcrp.info/](http://www.wcrp.info/). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 26 counties participate in the WCRP.

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

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

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

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

During 2014-15, Clallam County was also one of twenty-six (26) counties which participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. that have been scheduled. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

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

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

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

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

**B. Unemployment and Workers' Compensation**

The County has elected to fully self insure its risk for unemployment claims and pays actual costs quarterly as determined and administered by the Washington State Employment Security Department.

The County has elected to partially self insure its risk for workers' compensation claims. The County is responsible for workers' compensation claims up to \$500,000 per occurrence. Losses in excess of \$500,000 are insured through excess workers' compensation insurance policies.

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

County Management considers the reserve levels at the end of 2015 to be adequate to cover known and anticipated claims as of that date.

C. Risk Funding

Claim settlements and loss expenses are accrued in the Workers' Compensation Claims, Unemployment Compensation, and Risk Management funds for the estimated settlement value of both reported and unreported claims up to the statutory excess limits, as applicable. These funds are responsible for collecting interfund premiums from insured funds and departments, for paying claims settlements and for purchasing certain insurance policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses.

NOTE 8 - CLAIMS AND JUDGMENTS

Clallam County is named as the defendant in over 20 legal actions as of the end of 2015 of which three qualify for coverage under the WCRP. See Note 7 - Risk Management for a description of the WCRP. In the opinion of County management, the county's insurance policies and self-insurance reserves are adequate to pay known and pending claims as of the end of 2015.

NOTE 9 - LEOFF MEDICAL COSTS

Under the terms of LEOFF I, the County pays all the medical costs of its nine retired LEOFF I employees. These medical costs paid in 2015 totaled \$36,886. In addition, the County paid \$59,762 in medical insurance premiums for six of these retired employees in 2015. Only LEOFF I employees are eligible for this benefit.

NOTE 10 – SUBSEQUENT EVENTS

In 2014 and 2015 Teamsters Union Local 589 which represents some of the employees of Clallam County filed grievances against the County for alleged violations of the collective bargaining agreements between the Union and the County. In 2015, the grievance was submitted to arbitration the result of which was an award in favor of the Union that the County appealed to Superior Court. In 2016 the Commissioners of Clallam County terminated the County's appeal and committed the County to pay the arbitrator's award with the exception of interest specified in the award that may conflict with Washington State law. County management estimates the cost of the award to be approximately \$200,000.

In 2015 and prior years, the cities of Port Angeles and Sequim paid Clallam County a fee to compensate the County for the cost of providing County District Court services to the cities. Under this agreement, the cities paid their own costs to prosecute matters in County District Court and also the costs for any related indigent defense for District Court cases that originated within city limits. Additionally, certain revenues such as fines and penalties paid by offenders related to these city cases were paid by the court to the cities. In 2015 the County and the cities agreed to substantially consolidate the functions of District Court starting as of January 1, 2016. Under these agreements, the cities pay an increased fee to the County for District Court services and surrender

Clallam County  
Notes to Financial Statements  
For the Year Ended December 31, 2015

the court revenue previously received by the cities and in exchange the County assumes the costs of prosecution and indigent defense previously paid by the cities. The budgeted effect of this court consolidation in 2016 is to increase County General Fund revenue by approximately \$303,000 and expenditure by approximately \$537,000 for a net budgeted cost to the General Fund of approximately \$234,000.

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

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligation Debt/Liabilities</b>						
263.81	Washington State CERB Loan	6/1/2025	499,653	-	43,197	456,456
263.81	Washington State PWB Loan	6/1/2048	33,045	-	-	33,045
	<b>Total General Obligation Debt/Liabilities:</b>		<b>532,698</b>	<b>-</b>	<b>43,197</b>	<b>489,501</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absenses		2,566,342	-	105,511	2,460,831
264.30	Pension Obligations		-	15,343,212	-	15,343,212
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>2,566,342</b>	<b>15,343,212</b>	<b>105,511</b>	<b>17,804,043</b>
	<b>Total Liabilities:</b>		<b>3,099,040</b>	<b>15,343,212</b>	<b>148,708</b>	<b>18,293,544</b>

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

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Child Nutrition Cluster				Total			
Food And Nutrition Service, Department Of Agriculture (via WA PUBLIC INSTRUCTION)	National School Lunch Program	10.555	51219761	17,748	-	-	1,2,4
	<b>Total Child Nutrition Cluster:</b>		<b>17,748</b>	<b>17,748</b>	-	-	
Food And Nutrition Service, Department Of Agriculture (via WA STATE DEPT OF HEALTH)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17104	246,534	-	-	1,2,4
Food And Nutrition Service, Department Of Agriculture (via WA STATE DEPT OF HEALTH)	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17104	220	-	-	1,2,4
	<b>Total CFDA 10.557:</b>		<b>246,754</b>	<b>246,754</b>	-	-	
<b>Forest Service Schools and Roads Cluster</b>							
Forest Service, Department Of Agriculture (via WA STATE TREAS)	Schools and Roads - Grants to States	10.665	N/A	392,236	-	-	1,2,4
Forest Service, Department Of Agriculture (via WA STATE TREAS)	Schools and Roads - Grants to States	10.665	n/a	9,227	-	-	1,2,4
	<b>Total Forest Service Schools and Roads Cluster:</b>		<b>401,463</b>	<b>401,463</b>	-	-	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via RECREATION & CONSERVATION)	Pacific Coast Salmon Recovery_ Pacific Salmon Treaty Program	11.438	13-1373	94,700	-	-	1,2,4
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via RECREATION & CONSERVATION)	Pacific Coast Salmon Recovery_ Pacific Salmon Treaty Program	11.438	15-1396	58,010	-	-	1,2,4
	<b>Total CFDA 11.438:</b>		<b>152,710</b>	<b>152,710</b>	-	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice (via WA DSHS)	Juvenile Accountability Block Grants	16.523	1643-17224	7,000	-	-	1,2,4

Violence Against Women Office, Department Of Justice (via WA STATE DEPT OF COMMERCE)	Violence Against Women Formula Grants	16.588	F14 & F13- 31103.071	14,947	-	14,947	-	1,2,4,5	
Violence Against Women Office, Department Of Justice (via WA CTED)	Violence Against Women Formula Grants	16.588	F14-31103-070	7,747	-	7,747	5,973	1,2,4,5	
<b>Total CFDA 16.588:</b>				<b>22,693</b>	<b>-</b>	<b>22,693</b>	<b>5,973</b>		
Bureau Of Justice Assistance, Department Of Justice	State Criminal Alien Assistance Program	16.606	2015-AP-BX- 0732	-	1,899	1,899	-	1,2,4	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	n/a	-	5,820	5,820	-	1,2,4	
		16.71	2012JMMWX0172	-	11,389	11,389	-	1,2,4,5	
Bureau Of Justice Assistance, Department Of Justice (via WA STATE DEPT OF COMMERCE)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M14-31440-005	130,620	-	130,620	-	1,2,4	
<b>Highway Planning and Construction Cluster</b>									
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	LA-7630	112,270	-	112,270	-	1,2,4	
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	LA-7394	79,126	-	79,126	-	1,2,4	
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	LA-7665	62,790	-	62,790	-	1,2,4	
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	LA-6760	164,258	-	164,258	-	1,2,4	
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	LA-8463	328,711	-	328,711	-	1,2,4	
Federal Highway Administration (fhwa), Department Of Transportation (via WA DOT)	Highway Planning and Construction	20.205	LA-8742	322,350	-	322,350	-	1,2,4	
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,069,505</b>	<b>-</b>	<b>1,069,505</b>	<b>-</b>		

(via WTSC)	20.6	N/A	1,209	-	1,209	-	1,2,4
(via WTSC)	20.6	14ST-04	32,173	-	32,173	-	1,2,4
		<b>Total CFDA 20.6:</b>	<b>33,382</b>	<b>-</b>	<b>33,382</b>	<b>-</b>	
<b>Highway Safety Cluster</b>							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	20.602	N/A	179	-	179	-	1,2,4
		<b>Total Highway Safety Cluster:</b>	<b>179</b>	<b>-</b>	<b>179</b>	<b>-</b>	
Region 10, Environmental Protection Agency	66.123	C17104	-	52,753	52,753	-	1,2,4
Region 10, Environmental Protection Agency (via WA STATE DEPT OF HEALTH)	66.123	C17104	8,406	-	8,406	-	1,2,4
Region 10, Environmental Protection Agency (via EPA VIA JEFFERSON CO)	66.123	100511-11-JCEPA	256,315	-	256,315	256,315	1,2,4
Region 10, Environmental Protection Agency (via WA STATE DEPT OF HEALTH)	66.123	C17104	35,148	-	35,148	-	1,2,4
Region 10, Environmental Protection Agency (via WA STATE DEPT OF HEALTH)	66.123	C17104	18,463	-	18,463	-	1,2,4
		<b>Total CFDA 66.123:</b>	<b>318,332</b>	<b>52,753</b>	<b>371,084</b>	<b>256,315</b>	
U.s. Election Assistance Commission (via WA SEC OF STATE)	90.401	G-2830	1,724	-	1,724	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.069	C17104	77,164	-	77,164	-	1,2,4

Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA DBHR)	93.243	1263-66377	179,056	-	179,056	-	1,2,4
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance							
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.268	C17104	11,930	-	11,930	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.268	C17104	2,454	-	2,454	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.268	C17104	5,146	-	5,146	-	1,2,4
Centers For Disease Control And Prevention, Department Of Health And Human Services	93.268	N/A	-	51,645	51,645	-	1,2,3,4
<b>Total CFDA 93.268:</b>			<b>19,530</b>	<b>51,645</b>	<b>71,175</b>	-	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services	93.276	5H79SP017064-04	-	81,568	81,568	-	1,2,4
Drug-Free Communities Support Program Grants							
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	93.563	2110-80577	152,912	-	152,912	-	1,2,4
Child Support Enforcement							
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	93.563	0763-15052-01	24,731	-	24,731	-	1,2,4
Child Support Enforcement							
Administration For Children And Families, Department Of Health And Human Services (via WA DSHS)	93.563	07-NW050r	39,203	-	39,203	-	1,2,4
Child Support Enforcement							
<b>Medicaid Cluster</b>			<b>216,846</b>	-	<b>216,846</b>	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.778	02-68-MAA	9,183	-	9,183	-	1,2,4
Medical Assistance Program							

The accompanying notes are an integral part of this schedule.

Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.778	02-68-MAA	10,495	-	10,495	-	1,2,4
Medical Assistance Program							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.778	02-68-MAA	58,161	-	58,161	-	1,2,4
Medical Assistance Program							
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA DSHS)	93.778	1321-15-SPV	25,000	-	25,000	-	1,2,4
Medical Assistance Program							
<b>Total Medicaid Cluster:</b>			<b>102,840</b>	-	<b>102,840</b>	-	
Health Resources And Services Administration, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.917	C17104	41,891	-	41,891	-	1,2,4
HIV Care Formula Grants							
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via WA DSHS)	93.959	1563-44096	82,256	-	82,256	61,662	1,2,4
Block Grants for Prevention and Treatment of Substance Abuse							
Health Resources And Services Administration, Department Of Health And Human Services (via WA STATE DEPT OF HEALTH)	93.994	C17104	58,688	-	58,688	-	1,2,4
Maternal and Child Health Services Block Grant to the States							
Department Of Homeland Security (via WA PARKS AND REC)	97.012	N/A	22,822	-	22,822	-	1,2,4
Boating Safety Financial Assistance							
Department Of Homeland Security (via WA STATE MILITARY DEPT)	97.039	E13-178	12,428	-	12,428	-	1,2,4
Hazard Mitigation Grant							
Department Of Homeland Security (via WA STATE MILITARY DEPT)	97.042	E15-167	31,866	-	31,866	-	1,2,4
Emergency Management Performance Grants							
Department Of Homeland Security (via WA STATE MILITARY DEPT)	97.067	E13-143/E14-157/E15-079/E16-050	83,105	-	83,105	-	1,2,4
Homeland Security Grant Program							
Department Of Homeland Security (via WA STATE MILITARY DEPT)	97.067	E15-012	327,286	-	327,286	-	1,2,4
Homeland Security Grant Program							
Department Of Homeland Security (via WA STATE MILITARY DEPT)	97.067	E15-239	55,821	-	55,821	-	1,2,4
Homeland Security Grant Program							
<b>Total CFDA 97.067:</b>			<b>466,212</b>	-	<b>466,212</b>	-	
<b>Total Federal Awards Expended:</b>			<b>3,713,708</b>	<b>318,325</b>	<b>4,032,033</b>	<b>323,950</b>	

The accompanying notes are an integral part of this schedule.

CLALLAM COUNTY  
Notes to Schedule 16  
For the Year Ended December 31, 2015

Note 1 - Basis of Accounting

The Schedule of Financial Assistance is prepared on the same basis as the county's financial statement. The county uses a cash accounting basis.

Note 2 - Program Costs

The amounts shown as current year expenditures represent only federal/state/local grant portion of the program cost. Entire program cost, including the county's portion may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Noncash Awards - Vaccinations

The amount of Vaccine reported on the schedule is the value of vaccine distributed by the county during current year and priced as prescribed by Federal and State Agencies.

Note 4 - Indirect Cost Rate

The amount expended includes amounts claimed as an indirect cost recovery using an approved indirect cost rate of 29.35%. The county has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 5 - American Recovery and Reinvestment Act (ARRA) of 2009

Expenditures for this program were funded by ARRA.

## 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.

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<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<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>