Office of the Washington State Auditor
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Clallam County

**For the period January 1, 2016 through December 31, 2016**

**Published September 29, 2017**

**Report No. 1019987**

# Office of the Washington State Auditor
# Pat McCarthy

September 29, 2017

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,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

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**Clallam County**
**January 1, 2016 through December 31, 2016**

## 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 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.

| CFDA No. | Program or Cluster Title |
|---|---|
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children |
| 10.665 | Schools and Roads – Grant to States |
| 20.205 | Highway Planning and Construction |
| 97.067 | Homeland Security Grant Program |

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

See finding 2016-001.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

# SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**Clallam County**
**January 1, 2016 through December 31, 2016**

## 2016-001 The County did not have adequate controls in place to ensure accurate reporting of fiduciary funds.

### *Background*

The County's governing body and management are responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

### *Description of Condition*

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

- The County did not have a system in place to ensure the balances and activity of accounts held outside the County Treasurer's office were identified and reported on the financial statements.
- Staff responsible for financial statement preparation lacked the technical knowledge to distinguish between suspense activity, which should not be reported, and fiduciary activity, which should be reported.

### *Cause of Condition*

Staff responsible for financial statement preparation were unaware that cash balances and activity in all County-held bank accounts, including balances and activity on behalf of outside parties, must be reported on the financial statements, with the exception of clearing accounts and special purpose districts. In addition, staff misapplied guidance related to non-reporting of timber tax suspense activity.

### *Effect of Condition*

We found the following misstatements on the Fiduciary Fund Resources and Uses Arising from Cash Transactions statement:

- Beginning cash was under-reported by $593,245.
- Revenues, other increases and financing sources were under-reported by $18,029,716.

- Expenditures, other decreases and financing uses were under-reported by $13,148,513.
- Ending cash was under-reported by $5,473,225.

The County subsequently corrected these errors in the financial statements.

### Recommendation

We recommend the County:

- Establish controls to ensure all fiduciary balances and activity are identified and accurately reported on the financial statements
- Ensure staff responsible for financial statement preparation receive adequate training to ensure accurate reporting of fiduciary funds

### County's Response

*I disagree with the statement that the County did not have adequate controls to ensure accurate reporting of fiduciary funds. The statement that several bank accounts with substantial balances and activities were not reported as fiduciary activities in the County's annual reports is correct, but I disagree that this is a case of inadequate control.*

*The accounts in question were known to exist by the Auditor's office, the Treasurer's office and the State Auditor for several years. The exclusion of these accounts from the County's annual reports is a consistent practice that predates my arrival, so it has been in place for at least the last fifteen years. I suspect that the decision to exclude these accounts was made on the theory that the County's control of these accounts is materially less than its control of other fiduciary funds and as such these accounts were omitted from the financial statements.*

*One of the largest accounts in question is the DOL account maintained by the Auditor's office. The cash balances and the revenue/expenditure activity that the SAO wishes to see included in the County's financial statements represents cash owned by the DOL and over which the County has essentially no control. We deposit the money into the account at which time by contract we have no control over it. The DOL removes it from the account on the DOL's schedule and by contract we are obligated to do nothing with the money in the interim except wait for the DOL to take it. Unlike other funds held in a fiduciary capacity, we are not allowed to pool it with other County funds, we are not allowed to invest it to earn interest on it for our advantage, and we exercise no control over it.*

*The other large account is the Clerk's Superior Court account. Rather like the DOL account above, the County has essentially no control over this money. It is not pooled with other County funds. The County does not invest it to the benefit of the County, and the sources and uses of this money are at the discretion of the Superior Court which is acting as an entity independent of the management of the County.*

*Other accounts are much smaller and are individually and collectively not material in size.*

*I have no objection to including these accounts in County financial statements. I do not have a problem with changing the decisions made in prior decades to exclude these accounts in our financials.*

*I disagree with the characterization of this issue as a control inadequacy. It is not. It is a change in definition, or a change in practice, or a modification in reporting.*

*It is not an inadequacy in control.*

## Auditor's Remarks

We acknowledge the County's position and appreciate the assistance throughout the audit. Ultimately the identified misstatements were related to cash held in County-owned accounts on behalf of outside parties which should have been reported as fiduciary funds. Our Office is committed to providing additional guidance and resources specifically to support accurate financial reporting. The County's corrective action will be reviewed during our next audit.

## Applicable Laws and Regulations

*Government Auditing Standards,* December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 – Local government accounting – Uniform system of accounting, gives the state auditor the authority to formulate, prescribe and install a uniform system of accounting and reporting for all local governments.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 4.3.13, Fiduciary Fund Resources and Uses Arising from Cash Transactions (C-5), requires the Statement C-5 to be prepared for all trust and agency funds, with the exception of payroll and claims clearing funds and special purpose districts.

# 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, 2016 through December 31, 2016**

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, 2016, 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, 2017.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 to be a material weakness.

## 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.

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2017

# 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, 2016 through December 31, 2016**

Board of Commissioners
Clallam County
Port Angeles, Washington

## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Clallam County, 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, 2016. 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, 2016.

## 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.

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

**Clallam County**
**January 1, 2016 through December 31, 2016**

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, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 19.

### 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, 2016, 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, 2016, 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 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 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, 2017 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 26, 2017

# FINANCIAL SECTION

**Clallam County**
**January 1, 2016 through December 31, 2016**

## FINANCIAL STATEMENTS



## SUPPLEMENTARY AND OTHER INFORMATION

# Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | Total for All Funds (Memo Only) | 001 General | 101 Roads | 110 Sheriff Stonegarden |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | 1,681,687 | 1,500,000 | - | - |
| 30880 | Unreserved | 51,235,039 | 10,496,337 | 19,767,614 | 451,683 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | 30,486,305 | 16,284,911 | 7,470,511 | 681,353 |
| 320 | Licenses and Permits | 838,431 | 801,658 | 36,773 | - |
| 330 | Intergovernmental Revenues | 11,332,057 | 5,350,800 | 3,163,304 | 431,078 |
| 340 | Charges for Goods and Services | 14,114,580 | 7,919,998 | 100,519 | 193,823 |
| 350 | Fines and Penalties | 1,157,367 | 1,138,749 | - | 18,595 |
| 360 | Miscellaneous Revenues | 2,121,577 | 1,830,721 | 79,800 | 44,566 |
| Total Revenues: | | 60,050,317 | 33,326,837 | 10,850,907 | 1,369,415 |
| **Expenditures** | | | | | |
| 510 | General Government | 16,201,152 | 13,444,846 | 57,296 | - |
| 520 | Public Safety | 16,218,604 | 12,853,687 | 500,020 | 1,193,545 |
| 530 | Utilities | 445,863 | - | - | - |
| 540 | Transportation | 12,176,063 | - | 9,742,675 | - |
| 550 | Natural and Economic Environment | 3,630,344 | 2,650,731 | 88,779 | - |
| 560 | Social Services | 5,620,033 | 1,147,993 | - | - |
| 570 | Culture and Recreation | 2,553,075 | 2,529,583 | - | - |
| Total Expenditures: | | 56,845,134 | 32,626,840 | 10,388,770 | 1,193,545 |
| Excess (Deficiency) Revenues over Expenditures: | | 3,205,183 | 699,997 | 462,137 | 175,870 |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | 4,845,047 | - | - | - |
| 397 | Transfers-In | 3,076,073 | 55,000 | 500,000 | 169,610 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | 71,211 | 66,708 | 826 | - |
| 381, 395, 398 | Other Resources | 2,247,411 | 1,007,641 | 1,064,252 | - |
| Total Other Increases in Fund Resources: | | 10,239,742 | 1,129,349 | 1,565,078 | 169,610 |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | 11,668,334 | 456,186 | 4,165,090 | 233,176 |
| 591-593, 599 | Debt Service | 51,981 | - | - | - |
| 597 | Transfers-Out | 2,833,073 | 2,036,740 | 2,038 | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | 885 | - | 871 | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 14,554,273 | 2,492,926 | 4,167,999 | 233,176 |
| **Increase (Decrease) in Cash and Investments:** | | **(1,109,348)** | **(663,580)** | **(2,140,784)** | **112,304** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | 1,637,068 | 1,500,000 | - | - |
| 5088000 | Unreserved | 50,170,310 | 9,832,757 | 17,626,830 | 563,987 |
| **Total Ending Cash and Investments** | | **51,807,378** | **11,332,757** | **17,626,830** | **563,987** |

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

# Clallam County
# Fund Resources and Uses Arising from Cash Transactions
# For the Year Ended December 31, 2016

| | | 113 HHS Operations | 114 Law Library | 117 PA Local Crime Victim | 119 PA Racketeering |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | 181,687 | - | - | - |
| 30880 | Unreserved | 2,953,255 | 22,727 | 152,135 | 1,754 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | 1,383,328 | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 1,825,747 | - | 47,063 | - |
| 340 | Charges for Goods and Services | 638,693 | 30,257 | 41,098 | - |
| 350 | Fines and Penalties | - | - | 23 | - |
| 360 | Miscellaneous Revenues | 11,559 | 3 | - | 8 |
| Total Revenues: | | 3,859,327 | 30,260 | 88,184 | 8 |
| **Expenditures** | | | | | |
| 510 | General Government | - | - | 80,274 | 1 |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural and Economic Environment | - | - | - | - |
| 560 | Social Services | 4,377,407 | - | - | - |
| 570 | Culture and Recreation | - | 23,492 | - | - |
| Total Expenditures: | | 4,377,407 | 23,492 | 80,274 | 1 |
| Excess (Deficiency) Revenues over Expenditures: | | (518,080) | 6,768 | 7,910 | 7 |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 924,609 | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | 3,654 | - |
| 381, 395, 398 | Other Resources | 18,382 | - | - | - |
| Total Other Increases in Fund Resources: | | 942,991 | - | 3,654 | - |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | 36,193 | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | 82,879 | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 119,072 | - | - | - |
| **Increase (Decrease) in Cash and Investments:** | | **305,839** | **6,768** | **11,564** | **7** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | 98,842 | - | - | - |
| 5088000 | Unreserved | 3,341,939 | 29,495 | 163,699 | 1,761 |
| **Total Ending Cash and Investments** | | **3,440,781** | **29,495** | **163,699** | **1,761** |

## Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | 122 Treasurer Land Assessment | 124 Auditor Document Preservation | 129 Sup Ct Facilitator | 130 Noxious Weed Control |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | - | - | - | - |
| 30880 | Unreserved | 331,849 | 449,988 | 1,345 | 255,202 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | 8,873 | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | 12,620 | 57,509 | - | 95,832 |
| 340 | Charges for Goods and Services | 96,837 | 39,507 | 18,221 | 17,055 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 699 | - | - | 109,804 |
| Total Revenues: | | 119,029 | 97,016 | 18,221 | 222,691 |
| **Expenditures** | | | | | |
| 510 | General Government | 114,826 | 62,921 | 17,016 | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural and Economic Environment | - | - | - | 195,251 |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 114,826 | 62,921 | 17,016 | 195,251 |
| Excess (Deficiency) Revenues over Expenditures: | | 4,203 | 34,095 | 1,205 | 27,440 |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | - | - |
| 381, 395, 398 | Other Resources | 882 | - | - | - |
| Total Other Increases in Fund Resources: | | 882 | - | - | - |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | - | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | - | - | - | - |
| **Increase (Decrease) in Cash and Investments:** | | **5,085** | **34,095** | **1,205** | **27,440** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | - | - | - | - |
| 5088000 | Unreserved | 336,934 | 484,083 | 2,550 | 282,642 |
| **Total Ending Cash and Investments** | | **336,934** | **484,083** | **2,550** | **282,642** |

# Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | 135 DC1 Probation | 199 Veteran's Relief | 254 Bus Park Loop | 256 School House Road |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | - | - | - | - |
| 30880 | Unreserved | 68,426 | 3,009,954 | 437 | 1,322 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | - | 2,993,210 | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | 45,871 | - | - |
| 340 | Charges for Goods and Services | 226,265 | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 406 | 14,008 | - | 1,245 |
| Total Revenues: | | 226,671 | 3,053,089 | - | 1,245 |
| **Expenditures** | | | | | |
| 510 | General Government | 178,766 | - | - | - |
| 520 | Public Safety | - | 1,671,352 | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural and Economic Environment | - | 695,583 | - | - |
| 560 | Social Services | - | 94,633 | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 178,766 | 2,461,568 | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 47,905 | 591,521 | - | 1,245 |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | 97,416 | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | - | - |
| 381, 395, 398 | Other Resources | - | 8,272 | - | - |
| Total Other Increases in Fund Resources: | | - | 105,688 | - | - |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | - | - | - | - |
| 591-593, 599 | Debt Service | - | 48,194 | 437 | 1,322 |
| 597 | Transfers-Out | - | 45,000 | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | - | 93,194 | 437 | 1,322 |
| **Increase (Decrease) in Cash and Investments:** | | **47,905** | **604,015** | **(437)** | **(77)** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | - | 38,226 | - | - |
| 5088000 | Unreserved | 116,331 | 3,575,743 | - | 1,245 |
| **Total Ending Cash and Investments** | | **116,331** | **3,613,969** | **-** | **1,245** |

# Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | 274 Osborn Road | 295 3rd Street Sewer | 301 REET | 302 REET 2 |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | - | - | - | - |
| 30880 | Unreserved | 2,028 | 22,541 | 1,496,929 | 2,751,327 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | - | - | 832,062 | 832,057 |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | 274,273 |
| 340 | Charges for Goods and Services | - | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 574 | 11,003 | 472 | - |
| Total Revenues: | | 574 | 11,003 | 832,534 | 1,106,330 |
| **Expenditures** | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural and Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 574 | 11,003 | 832,534 | 1,106,330 |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | - | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | - | - |
| 381, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | - | - |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | - | - | 983,978 | 761,346 |
| 591-593, 599 | Debt Service | 2,028 | - | - | - |
| 597 | Transfers-Out | - | 16,416 | - | 650,000 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 2,028 | 16,416 | 983,978 | 1,411,346 |
| **Increase (Decrease) in Cash and Investments:** | | **(1,454)** | **(5,413)** | **(151,444)** | **(305,016)** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | - | - | - | - |
| 5088000 | Unreserved | 574 | 17,128 | 1,345,485 | 2,446,311 |
| **Total Ending Cash and Investments** | | **574** | **17,128** | **1,345,485** | **2,446,311** |

# Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | 305 Capital Projects | 307 Capital Projects IT | 402 Solid Waste | 414 Clallam Bay Sewer |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | - | - | - | - |
| 30880 | Unreserved | 2,214,258 | 159,143 | 16,863 | 305,384 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | 27,960 | - |
| 340 | Charges for Goods and Services | - | - | 39,996 | 278,365 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | - | - | 54 | 4,208 |
| Total Revenues: | | - | - | 68,010 | 282,573 |
| **Expenditures** | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | 66,249 | 362,074 |
| 540 | Transportation | - | - | - | - |
| 550 | Natural and Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | 66,249 | 362,074 |
| Excess (Deficiency) Revenues over Expenditures: | | - | - | 1,761 | (79,501) |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | 291,950 | - | 150,000 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | - | - | - |
| 381, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | 291,950 | - | 150,000 |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | 149,570 | 200,220 | - | 18,543 |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | - | - | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 149,570 | 200,220 | - | 18,543 |
| **Increase (Decrease) in Cash and Investments:** | | **(149,570)** | **91,730** | **1,761** | **51,956** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | - | - | - | - |
| 5088000 | Unreserved | 2,064,688 | 250,873 | 18,624 | 357,340 |
| **Total Ending Cash and Investments** | | **2,064,688** | **250,873** | **18,624** | **357,340** |

# Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | 425 Carlsborg Sewer | 503 ER&R | 504 Risk Management | 505 Worker Comp |
|---|---|---|---|---|---|
| **Beginning Cash and Investments** | | | | | |
| 30810 | Reserved | - | - | - | - |
| 30880 | Unreserved | 1,432,462 | 2,861,144 | 749,833 | 1,008,981 |
| 388 / 588 | Prior Period Adjustments, Net | - | - | - | - |
| **Revenues** | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | 36,500 | 3,187,171 | 873,077 | 355,286 |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | - | 82 | - | 12,365 |
| Total Revenues: | | 36,500 | 3,187,253 | 873,077 | 367,651 |
| **Expenditures** | | | | | |
| 510 | General Government | - | - | 1,771,845 | 437,869 |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | 17,540 | - | - | - |
| 540 | Transportation | - | 2,433,388 | - | - |
| 550 | Natural and Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 17,540 | 2,433,388 | 1,771,845 | 437,869 |
| Excess (Deficiency) Revenues over Expenditures: | | 18,960 | 753,865 | (898,768) | (70,218) |
| **Other Increases in Fund Resources** | | | | | |
| 391-393, 596 | Debt Proceeds | 4,845,047 | - | - | - |
| 397 | Transfers-In | - | - | 869,200 | - |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 386 / 389 | Custodial Activities | - | 23 | - | - |
| 381, 395, 398 | Other Resources | - | 147,982 | - | - |
| Total Other Increases in Fund Resources: | | 4,845,047 | 148,005 | 869,200 | - |
| **Other Decreases in Fund Resources** | | | | | |
| 594-595 | Capital Expenditures | 3,265,763 | 1,398,269 | - | - |
| 591-593, 599 | Debt Service | - | - | - | - |
| 597 | Transfers-Out | - | - | - | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 586 / 589 | Custodial Activities | - | 14 | - | - |
| 581 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 3,265,763 | 1,398,283 | - | - |
| **Increase (Decrease) in Cash and Investments:** | | **1,598,244** | **(496,413)** | **(29,568)** | **(70,218)** |
| **Ending Cash and Investments** | | | | | |
| 5081000 | Reserved | - | - | - | - |
| 5088000 | Unreserved | 3,030,706 | 2,364,731 | 720,265 | 938,763 |
| **Total Ending Cash and Investments** | | **3,030,706** | **2,364,731** | **720,265** | **938,763** |

## Clallam County
## Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | 506 Health Care Benefit | 507 Unemployment |
|---|---|---|---|
| **Beginning Cash and Investments** | | | |
| 30810 | Reserved | - | - |
| 30880 | Unreserved | 30,000 | 220,118 |
| 388 / 588 | Prior Period Adjustments, Net | - | - |
| **Revenues** | | | |
| 310 | Taxes | - | - |
| 320 | Licenses and Permits | - | - |
| 330 | Intergovernmental Revenues | - | - |
| 340 | Charges for Goods and Services | - | 21,912 |
| 350 | Fines and Penalties | - | - |
| 360 | Miscellaneous Revenues | - | - |
| Total Revenues: | | - | 21,912 |
| **Expenditures** | | | |
| 510 | General Government | 18,288 | 17,204 |
| 520 | Public Safety | - | - |
| 530 | Utilities | - | - |
| 540 | Transportation | - | - |
| 550 | Natural and Economic Environment | - | - |
| 560 | Social Services | - | - |
| 570 | Culture and Recreation | - | - |
| Total Expenditures: | | 18,288 | 17,204 |
| Excess (Deficiency) Revenues over Expenditures: | | (18,288) | 4,708 |
| **Other Increases in Fund Resources** | | | |
| 391-393, 596 | Debt Proceeds | - | - |
| 397 | Transfers-In | 18,288 | - |
| 385 | Special or Extraordinary Items | - | - |
| 386 / 389 | Custodial Activities | - | - |
| 381, 395, 398 | Other Resources | - | - |
| Total Other Increases in Fund Resources: | | 18,288 | - |
| **Other Decreases in Fund Resources** | | | |
| 594-595 | Capital Expenditures | - | - |
| 591-593, 599 | Debt Service | - | - |
| 597 | Transfers-Out | - | - |
| 585 | Special or Extraordinary Items | - | - |
| 586 / 589 | Custodial Activities | - | - |
| 581 | Other Uses | - | - |
| Total Other Decreases in Fund Resources: | | - | - |
| **Increase (Decrease) in Cash and Investments:** | | **-** | **4,708** |
| **Ending Cash and Investments** | | | |
| 5081000 | Reserved | - | - |
| 5088000 | Unreserved | 30,000 | 224,826 |
| **Total Ending Cash and Investments** | | **30,000** | **224,826** |

# Clallam County
## Fiduciary Fund Resources and Uses Arising from Cash Transactions
## For the Year Ended December 31, 2016

| | | Total for All Funds (Memo Only) | 624 Unclaimed Warrants | 625 Risk Management Reserve | 629 RID Guarantee Trust |
|---|---|---|---|---|---|
| 308 | Beginning Cash and Investments | 4,571,806 | 59,477 | 2,691,921 | 29,426 |
| 388 & 588 | Prior Period Adjustments, Net | - | - | - | - |
| 310-360 | Revenues | 110,063 | 9,301 | - | 130 |
| 380-390 | Other Increases and Financing Sources | 37,002,104 | - | - | - |
| 510-570 | Expenditures | 31,987 | 827 | - | - |
| 580-590 | Other Decreases and Financing Uses | 32,040,894 | - | 243,000 | - |
| | Net Increase (Decrease) in Cash and Investments: | 5,039,286 | 8,474 | (243,000) | 130 |
| 508 | Ending Cash and Investments | 9,611,092 | 67,951 | 2,448,921 | 29,556 |

| | | 633 Drug Task Force | 690 Timber Excise Tax | 691 District Court | 697 Retainage Suspense |
|---|---|---|---|---|---|
| 308 | Beginning Cash and Investments | 114,256 | 784,806 | 804,454 | 87,466 |
| 388 & 588 | Prior Period Adjustments, Net | - | - | - | - |
| 310-360 | Revenues | 1 | - | 100,528 | 103 |
| 380-390 | Other Increases and Financing Sources | 27,911 | 6,641,467 | 30,277,305 | 55,421 |
| 510-570 | Expenditures | 31,160 | - | - | - |
| 580-590 | Other Decreases and Financing Uses | - | 6,769,021 | 25,012,358 | 16,515 |
| | Net Increase (Decrease) in Cash and Investments: | (3,248) | (127,554) | 5,365,475 | 39,009 |
| 508 | Ending Cash and Investments | 111,008 | 657,252 | 6,169,929 | 126,475 |

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

## 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.

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 or other capital assets.

Proprietary Fund Types

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments 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.

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 136 times during 2016.

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

| Fund/Department | Final Appropriated Amounts | Actual Expenditures | Variance |
|---|---|---|---|
| GENERAL FUND | | | |
| ASSESSOR | 1,569,573 | 1,504,109 | 65,464 |
| AUDITOR | 1,246,140 | 1,211,396 | 34,744 |
| TREASURER | 813,967 | 748,844 | 65,123 |
| BOCC OPERATIONS | 669,489 | 662,698 | 6,791 |
| BOUNDARY REVIEW BOARD | 3,630 | 150 | 3,480 |
| PORT CRESCENT CEMETARY | 3,000 | - | 3,000 |
| BOARD OF EQUALIZATION | 64,715 | 50,661 | 14,054 |
| NON-DEPARTMENTAL | 1,162,225 | 1,005,323 | 156,902 |
| OPERATING TRANSFERS OUT | 2,038,490 | 2,026,740 | 11,750 |
| DCD ADMINISTRATION | 363,468 | 328,606 | 34,862 |
| DCD ENVIRONMENTAL QUALITY | 178,611 | 146,077 | 32,534 |
| DCD PERMIT CENTER | 986,446 | 878,439 | 108,007 |
| DCD PLANNING | 1,372,037 | 1,007,782 | 364,255 |
| HEARING EXAMINER | 30,000 | 25,545 | 4,455 |
| INFORMATION TECHNOLOGY | 1,692,262 | 1,534,716 | 157,546 |
| HUMAN RESOURCEAS | 574,619 | 453,617 | 121,002 |
| ENVIRONMENTAL HEALTH | 1,099,710 | 976,447 | 123,263 |
| SHERIFF OPERATIONS | 5,863,641 | 5,812,118 | 51,523 |
| SHERIFF COMMUNITY PROJECTS | 114,644 | 105,305 | 9,339 |
| ANIMAL CONTROL | 202,977 | 196,141 | 6,836 |

| | | | |
|---|---|---|---|
| SEARCH & RESCUE | 18,150 | 15,154 | 2,996 |
| JAIL | 3,744,921 | 3,633,463 | 111,458 |
| JAIL MEDICAL | 628,608 | 568,812 | 59,796 |
| EMERGENCY SERVICES | 282,410 | 255,997 | 26,413 |
| INDIGENT DEFENSE | 1,157,400 | 1,153,200 | 4,200 |
| PROSECUTING ATTORNEY | 2,317,213 | 2,176,004 | 141,209 |
| CHILD SUPPORT | 215,910 | 215,206 | 704 |
| CORONER | 151,800 | 82,580 | 69,220 |
| JUVENILE SERVICES | 3,109,257 | 2,779,137 | 330,120 |
| SUPERIOR COURT | 1,360,548 | 1,219,669 | 140,879 |
| DISTRICT COURT I | 732,414 | 711,627 | 20,787 |
| DISTRICT COURT II | 337,380 | 323,362 | 14,018 |
| CLERK | 816,957 | 768,441 | 48,516 |
| PARKS AND FACILITIES | 2,103,550 | 1,999,863 | 103,687 |
| FAIR | 390,322 | 378,044 | 12,278 |
| WSU EXTENSION | 320,081 | 151,676 | 168,405 |
| FLOOD CONTROL | 8,644 | 2,817 | 5,827 |
| TOTAL GENERAL FUND | 37,745,209 | 35,109,767 | 2,635,442 |
| | | | |
| ROADS | 20,300,840 | 14,564,375 | 5,736,465 |
| SHERIFF'S HONOR GUARD DONATION | 3,910 | 7 | 3,903 |
| RECREATIONAL AND BOATING FUND | 89,307 | 50,730 | 38,577 |
| SHERIFF OFFICE DRUG FUND | 28,081 | 17,429 | 10,652 |
| SHERIFF OPNET DRUG FUND | 256,664 | 192,336 | 64,328 |
| NINE-ONE-ONE ENHANCED | 761,100 | 730,736 | 30,364 |
| OPSCAN OPERATIONS | 416,658 | 232,729 | 183,929 |
| SHERIFF STONEGARDEN GRANT | 440,935 | 201,886 | 239,049 |
| 24/7 SOBRIETY PROGRAM | 5,459 | 868 | 4,591 |
| HEALTH & HUMAN SERVICES | 2,005,211 | 1,741,986 | 263,225 |
| ALCOHOL/DRUG ABUSE | 82,879 | 82,879 | - |
| HOMELESS TASK FORCE | 653,912 | 538,914 | 114,998 |
| CHEMICAL DEPENDENCY | 1,633,499 | 1,100,372 | 533,127 |
| AFFORDABLE HOUSING | 100,000 | 48,217 | 51,783 |
| DEVELOPMENTAL DISABILITIES | 1,229,123 | 984,111 | 245,012 |
| LAW LIBRARY | 27,750 | 23,492 | 4,258 |
| CRIME VICTIM COMP/LOCAL | 119,410 | 80,274 | 39,136 |
| RACKETEERING FUND | 5 | 1 | 4 |
| TREASURER'S O & M | 83,137 | 67,544 | 15,593 |
| REET ELECTRONIC TECHNOLOGY | 37,239 | 35,852 | 1,387 |
| LAND ASSESSMENT | 15,400 | 11,430 | 3,970 |
| DOCUMENT PRESERVATION | 141,938 | 62,921 | 79,017 |
| DISPUTE RESOLUTION CENTER | 13,000 | 10,075 | 2,925 |
| COURTHOUSE FACILITATOR | 8,000 | 6,941 | 1,059 |
| NOXIOUS WEED CONTROL | 207,242 | 170,375 | 36,867 |
| LMD#2 LAKE SUTHERLAND | 25,260 | 24,876 | 384 |
| PROBATION DISTRICT COURT I | 213,673 | 178,766 | 34,907 |
| TRIAL COURT IMPROVEMENTS | 30,000 | 30,000 | - |
| VETERANS' RELIEF | 149,196 | 94,633 | 54,563 |
| FEDERAL FOREST REPLACEMENT | 30,001 | 1 | 30,000 |
| HOTEL/MOTEL TAX | 566,000 | 548,082 | 17,918 |
| OPPORTUNITY FUND | 10,440,255 | 5,744,953 | 4,695,302 |
| EMERGENCY COMMUNICATIONS TAX | 1,317,900 | 982,140 | 335,760 |
| R I D #142 BUSINESS PARK LOOP | 1,459 | 437 | 1,022 |
| R I D #141 SCHOOL HOUSE ROAD | 1,477 | 1,322 | 155 |
| LAKE DAWN MANAGEMENT | 134 | - | 134 |

| | | | |
|---|---|---|---|
| R I D #149 OSBORN ROAD | 2,028 | 2,028 | - |
| LID 3RD STREET SEWER LINE | 16,416 | 16,416 | - |
| REAL ESTATE EXCISE TAX PROJECT | 1,345,000 | 983,978 | 361,022 |
| REAL ESTATE EXCISE TAX 2 | 2,082,000 | 1,411,346 | 670,654 |
| CAPITAL PROJECTS | 225,000 | 149,570 | 75,430 |
| CAPITAL PROJECTS INFO TECH | 391,242 | 200,220 | 191,022 |
| CAPITAL PROJECTS CARLSBORG SEWER | 11,012,847 | 3,283,303 | 7,729,544 |
| SOLID WASTE | 120,938 | 66,249 | 54,689 |
| CLALLAM BAY-SEKIU SEWER | 463,004 | 380,617 | 82,387 |
| CARLSBORG SEWER | 87,903 | - | 87,903 |
| EQUIPMENT RENTAL & REVOLVING | 4,493,650 | 3,831,671 | 661,979 |
| RISK MANAGEMENT | 2,175,026 | 1,771,845 | 403,181 |
| WORKERS' COMPENSATION CLAIMS | 746,148 | 437,869 | 308,279 |
| EMPLOYEE HEALTH CARE BENEFIT | 36,925 | 18,288 | 18,637 |
| UNEMPLOYMENT COMPENSATION | 50,000 | 17,204 | 32,796 |
| TOTAL COUNTY | 64,684,181 | 41,132,295 | 23,551,866 |

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. Reserved Portion of Ending Cash and Investments

At December 31, 2016, 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 |

The 2017 general fund budget as originally approved in December 2016 included a deficit of $2,288,391. See Note 10 Subsequent Events.

In addition the Developmental Disabilities fund had a restriction in its fund balances of $98,842 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 original cost, with no material difference between cost and fair value.

As of December 31, 2016 the County had the following investments:

| | Fair value of County investments | Fair value of investments held by County as agent | Total |
|---|---|---|---|
| Demand Deposits | $ 5,970,810 | $ 6,305,925 | $ 12,276,735 |
| Time Deposits | 32,632,374 | 6,343,643 | 38,976,017 |
| US Government Securities | - | - | - |
| State Investment Pool | 17,071,374 | 41,355,019 | 58,426,393 |
| Total | $ 55,674,558 | $ 54,004,587 | $ 109,679,145 |

## 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 2016 was $1.366131253286 per $1,000 on a total assessed valuation of $7,318,181,962 for a regular levy total of $9,997,597. The total 2016 levy rate of $1.403581253286 was comprised of four funds: General at $1.366131253286; Veterans' Relief at $.01125; Land Assessment at $.00120; and Developmental Disabilities at $.02500.

## 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, 2015 there was a loan payable balance outstanding payable by the Road Improvement funds as a group to the Roads fund in the total of $11,071. There were no new loans on this balance in 2016, and after payments of $2,610 the balance at December 31, 2016 was $8,461.

## 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, 2016 the principal outstanding on this loan payable was $412,827 due in annual payments of $48,193.54 through 2025. Total payments of interest and principal will be $240,968 for the five year period ending in 2021 and $192,774 for the four year period ending in 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 and $4,845,047 in 2016. No advances were made in 2014 or 2015.

The Clallam County Board of Commissioners has resolved to repay both of 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, 2016 was $2,494,832 which was an increase of $34,001 from the end of 2015.

## NOTE 6 - PENSION PLANS

Substantially all Clallam County full-time and qualifying part-time employees participate in the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement systems.

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

Also, the DRC CAFR may also be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2016 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% | 8,935,980 |
| PERS 2/3 | 0.18% | 9,009,689 |
| PSERS 2 | 0.45% | 189,558 |
| LEOFF 1 | 0.02% | (175,210) |
| LEOFF 2 | 0.09% | (525,433) |

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 the 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 Plan 2 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/. Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

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

The Pool allows members to jointly establish a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are $25 million per occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000. For losses occurring in 2016, Clallam County selected 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 2015-16, 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 2015-16, 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 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 2015-16, the WCRP's assets decreased 4% to $46.8 million while its liabilities decreased slightly to $29 million. The Pool's net position decreased slightly from $19 million to $17.8 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, 2016 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. County Management considers the reserve levels at the end of 2016 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 13 legal actions as of the end of 2016 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 2016.

## 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 2016 totaled $26,724. In addition, the County paid $47,165 in medical insurance premiums for six of these retired employees in 2016. Only LEOFF I employees are eligible for this benefit.

## NOTE 10 – SUBSEQUENT EVENTS

In February 2017, the County discovered an error in its 2017 budget calculation for the general fund that would have increased expenditures by $494,157 and absent other actions increased the operating deficit in the general fund for 2017 by an equal amount to a total of $2,782,548 in the 2017 budget as approved by the Board of Commissioners in December 2016. In February 2017 the Commissioners amended the 2017 budget to include additional expenditures of $494,157 which corrected the prior error.

# Clallam County
# Schedule of Liabilities
# For the Year Ended December 31, 2016

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|---|---|
| **General Obligation Debt/Liabilities** | | | | | | |
| 263.81 | Washington State CERB Loan | 6/1/2025 | 456,456 | - | 43,629 | 412,827 |
| 263.81 | Washington State PWB Loan | 6/1/2048 | 33,045 | 4,845,047 | - | 4,878,092 |
| | **Total General Obligation Debt/Liabilities:** | | **489,501** | **4,845,047** | **43,629** | **5,290,919** |
| **Revenue and Other (non G.O.) Debt/Liabilities** | | | | | | |
| 259.12 | Compensated Absenses | | 2,460,831 | 224,856 | - | 2,685,687 |
| 264.30 | Pension Obligations | | 15,343,212 | 2,792,016 | - | 18,135,228 |
| | **Total Revenue and Other (non G.O.) Debt/Liabilities:** | | **17,804,043** | **3,016,872** | **-** | **20,820,915** |
| | **Total Liabilities:** | | **18,293,544** | **7,861,919** | **43,629** | **26,111,834** |

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| **Child Nutrition Cluster** | | | | | | | | |
| Food And Nutrition Service, Department Of Agriculture (via Washington Office of Superintendent of Public Instruction) | National School Lunch Program | 10.555 | 51219761 | 16,047 | - | 16,047 | - | 1, 2, 4 |
| | | **Total Child Nutrition Cluster:** | | **16,047** | **-** | **16,047** | - | |
| Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health) | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | C17104 | 263,742 | - | 263,742 | - | 1, 2, 4 |
| Food And Nutrition Service, Department Of Agriculture (via Washington Department of Health) | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | C17104 | 395 | - | 395 | - | 1, 2, 4 |
| | | | **Total CFDA 10.557:** | **264,137** | **-** | **264,137** | - | |
| **Forest Service Schools and Roads Cluster** | | | | | | | | |
| Forest Service, Department Of Agriculture (via Washington Treasurer) | Schools and Roads - Grants to States | 10.665 | N/A | 407,733 | - | 407,733 | - | 1, 2, 4 |
| Forest Service, Department Of Agriculture (via Washington Treasurer) | Schools and Roads - Grants to States | 10.665 | n/a | 1 | - | 1 | - | 1, 2, 4 |
| | **Total Forest Service Schools and Roads Cluster:** | | | **407,734** | **-** | **407,734** | - | |
| National Oceanic And Atmospheric Administration (noaa), Department Of Commerce (via Washington Recreation Conservation Office) | Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program | 11.438 | 15-1396 | 169,586 | - | 169,586 | - | 1, 2, 4 |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| Bureau Of Justice Statistics, Department Of Justice (via Washington State Patrol) | National Criminal History Improvement Program (NCHIP) | 16.554 | K11481 | 4,919 | - | 4,919 | - | 1, 2, 4 |
| Office For Victims Of Crime, Department Of Justice (via Washington Department of Commerce) | Crime Victim Assistance | 16.575 | S15-31102-504 | 44,290 | - | 44,290 | - | 1, 2, 4 |
| Violence Against Women Office, Department Of Justice (via Washington Department of Commerce) | Violence Against Women Formula Grants | 16.588 | F15-31103-068 | 12,974 | - | 12,974 | - | 1, 2, 4 |
| Violence Against Women Office, Department Of Justice (via Washington Department of Commerce) | Violence Against Women Formula Grants | 16.588 | F15-31103.067 | 16,417 | - | 16,417 | - | 1, 2, 4 |
| | | | **Total CFDA 16.588:** | **29,391** | **-** | **29,391** | - | |
| Bureau Of Justice Assistance, Department Of Justice (via Washington Department of Commerce) | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | F15-31440.004 | 126,914 | - | 126,914 | - | 1, 2, 4 |
| **Highway Planning and Construction Cluster** | | | | | | | | |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation) | Highway Planning and Construction | 20.205 | LA-7394 | 44,632 | - | 44,632 | - | 1, 2, 4 |
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation) | Highway Planning and Construction | 20.205 | LA-7630 | 42,258 | - | 42,258 | - | 1, 2, 4 |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| Federal Highway Administration (fhwa), Department Of Transportation (via Washington Department of Transportation) | Highway Planning and Construction | 20.205 | LA-7665 | 84,860 | - | 84,860 | - | 1, 2, 4 |
| | **Total Highway Planning and Construction Cluster:** | | | **171,749** | **-** | **171,749** | - | |
| Region 10, Environmental Protection Agency | Puget Sound Watershed Management Assistance | 66.120 | PO-00J08801-0 | - | 178,624 | 178,624 | - | 1, 2, 4 |
| Region 10, Environmental Protection Agency (via Washington Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C17104 | 8,391 | - | 8,391 | - | 1, 2, 4 |
| Region 10, Environmental Protection Agency (via Washington Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C17104 | 76,465 | - | 76,465 | - | 1, 2, 4 |
| Region 10, Environmental Protection Agency (via Washington Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C17104 | 4,645 | - | 4,645 | - | 1, 2, 4 |
| Region 10, Environmental Protection Agency (via Washington Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C17104 | 53,428 | - | 53,428 | - | 1, 2, 4 |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| | | | | Expenditures | | | | |
|---|---|---|---|---|---|---|---|---|
| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | From Pass-Through Awards | From Direct Awards | Total | Passed through to Subrecipients | Note |
| Region 10, Environmental Protection Agency (via Washington Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | C17104 | 15,650 | - | 15,650 | - | 1, 2, 4 |
| Region 10, Environmental Protection Agency (via Washington Department of Health) | Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program | 66.123 | 2017-12 | 1,335 | - | 1,335 | - | 1, 2, 4 |
| | | | **Total CFDA 66.123:** | **159,913** | **-** | **159,913** | - | |
| U.s. Election Assistance Commission (via Wasington Secretary of State) | Help America Vote Act Requirements Payments | 90.401 | G-2830 | 2,415 | - | 2,415 | - | 1, 2, 4 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Public Health Emergency Preparedness | 93.069 | C17104 | 65,660 | - | 65,660 | - | 1, 2, 4 |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services) | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 1563-51879 | 82,901 | - | 82,901 | - | 1, 2, 4 |
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services) | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | 1263-66377 | 131,773 | - | 131,773 | - | 1, 2, 4 |
| | | | **Total CFDA 93.243:** | **214,674** | **-** | **214,674** | - | |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | C17104 | 7,280 | - | 7,280 | - | 1, 2, 4 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | C17104 | 685 | - | 685 | - | 1, 2, 4 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | C17104 | 3,717 | - | 3,717 | - | 1, 2, 4 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | C17104 | 1,580 | - | 1,580 | - | 1, 2, 4 |
| Centers For Disease Control And Prevention, Department Of Health And Human Services (via Washington Department of Health) | Immunization Cooperative Agreements | 93.268 | n/a | 20,990 | - | 20,990 | - | 3 |
| | | | **Total CFDA 93.268:** | **34,252** | **-** | **34,252** | - | |
| Administration For Children And Families, Department Of Health And Human Services (via Washington Department of Social and Health Services) | Child Support Enforcement | 93.563 | 2110-80577 | 142,229 | - | 142,229 | - | 1, 2, 4 |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| Administration For Children And Families, Department Of Health And Human Services (via Washington Department of Social and Health Services) | Child Support Enforcement | 93.563 | 1663-67330 | 20,269 | - | 20,269 | - | 1, 2, 4 |
| Administration For Children And Families, Department Of Health And Human Services (via Washington Department of Social and Health Services) | Child Support Enforcement | 93.563 | 07-NW050r | 51,290 | - | 51,290 | - | 1, 2, 4 |
| | | | **Total CFDA 93.563:** | **213,788** | **-** | **213,788** | - | |
| **Medicaid Cluster** | | | | | | | | |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Department of Health) | Medical Assistance Program | 93.778 | 02-68-MAA | 10,528 | - | 10,528 | - | 1, 2, 4 |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Department of Health) | Medical Assistance Program | 93.778 | 02-68-MAA | 12,399 | - | 12,399 | - | 1, 2, 4 |
| Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington Department of Health) | Medical Assistance Program | 93.778 | K1397 | 49,450 | - | 49,450 | - | 1, 2, 4 |
| | | | **Total Medicaid Cluster:** | **72,377** | **-** | **72,377** | - | |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Washington Department of Social and Health Services) | Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | 1563-44096 | 34,100 | - | 34,100 | 34,100 | 1, 2, 4 |
| Health Resources And Services Administration, Department Of Health And Human Services (via Washington Department of Health) | Maternal and Child Health Services Block Grant to the States | 93.994 | C17104 | 63,926 | - | 63,926 | - | 1, 2, 4 |
| United States Coast Guard (uscg), Department Of Homeland Security (via Washington Parks and Recreation Commission) | Boating Safety Financial Assistance | 97.012 | N/A | 23,203 | - | 23,203 | - | 1, 2, 4 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department) | Emergency Management Performance Grants | 97.042 | E16-154 | 39,788 | - | 39,788 | - | 1, 2, 4 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department) | Homeland Security Grant Program | 97.067 | E15-079 | 11,529 | - | 11,529 | - | 1, 2, 4 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department) | Homeland Security Grant Program | 97.067 | E15-079 | 3,103 | - | 3,103 | - | 1, 2, 4 |
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department) | Homeland Security Grant Program | 97.067 | E15-239 | 74,737 | - | 74,737 | 25,420 | 1, 2, 4 |

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

## Clallam County
## Schedule of Expenditures of Federal Awards
## For the Year Ended December 31, 2016

| Federal Agency (Pass-Through Agency) | Federal Program | CFDA Number | Other Award Number | Expenditures: From Pass-Through Awards | Expenditures: From Direct Awards | Expenditures: Total | Passed through to Subrecipients | Note |
|---|---|---|---|---|---|---|---|---|
| Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington Military Department) | Homeland Security Grant Program | 97.067 | E16-168 | 136,312 | - | 136,312 | 75,301 | 1, 2, 4 |
| | | | **Total CFDA 97.067:** | **225,681** | **-** | **225,681** | 100,721 | |
| | | | **Total Federal Awards Expended:** | **2,384,545** | **178,624** | **2,563,169** | **134,821** | |

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

MCAG NO. 0099 SCHEDULE 16

CLALLAM COUNTY
Notes to Schedule 16
For the Year Ended December 31, 2016

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 29.37% or other overhead rate allowed by the granting agency. The county has not elected to use the 10-percent de minimis indirectcost rate allowed under the Uniform Guidance.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Clallam County**
**January 1, 2016 through December 31, 2016**

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

| **Finding ref number:** 2016-001 | **Finding caption:** The County did not have adequate controls in place to ensure accurate reporting of fiduciary funds. |
|---|---|
| **Name, address, and telephone of auditee contact person:**<br>Stan Creasey<br>223 East 4th Street<br>Port Angeles, WA 98362<br>(360) 417-2224 | |
| **Corrective action the auditee plans to take in response to the finding:**<br>*I disagree with the statement that the County did not have adequate controls to ensure accurate reporting of fiduciary funds. The statement that several bank accounts with substantial balances and activities were not reported as fiduciary activities in the County's annual reports is correct, but I disagree that this is a case of inadequate control.*<br>*The accounts in question were known to exist by the Auditor's office, the Treasurer's office and the State Auditor for several years. The exclusion of these accounts from the County's annual reports is a consistent practice that predates my arrival, so it has been in place for at least the last fifteen years. I suspect that the decision to exclude these accounts was made on the theory that the County's control of these accounts is materially less than its control of other fiduciary funds and as such these accounts were omitted from the financial statements.*<br>*One of the largest accounts in question is the DOL account maintained by the Auditor's office. The cash balances and the revenue/expenditure activity that the SAO wishes to see included in the County's financial statements represents cash owned by the DOL and over which the County has essentially no control. We deposit the money into the account at which time by contract we have no control over it. The DOL removes it from the account on the DOL's schedule and by contract we are obligated to do nothing with the money in the interim except wait for the DOL to take it. Unlike other funds held in a fiduciary capacity, we are not allowed* | |

| |
|---|
| *to pool it with other County funds, we are not allowed to invest it to earn interest on it for our advantage, and we exercise no control over it.*<br>*The other large account is the Clerk's Superior Court account. Rather like the DOL account above, the County has essentially no control over this money. It is not pooled with other County funds. The County does not invest it to the benefit of the County, and the sources and uses of this money are at the discretion of the Superior Court which is acting as an entity independent of the management of the County.*<br>*Other accounts are much smaller and are individually and collectively not material in size.*<br>*I have no objection to including these accounts in County financial statements. I do not have a problem with changing the decisions made in prior decades to exclude these accounts in our financials.*<br>*I disagree with the characterization of this issue as a control inadequacy. It is not. It is a change in definition, or a change in practice, or a modification in reporting.*<br>*It is not an inadequacy in control.*<br>*Corrective action: These accounts will be included in the 2017 financial reporting.* |
| **Anticipated date to complete the corrective action:** 2017 financial report |

# ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

| Contact information for the State Auditor's Office | |
|---|---|
| **Public Records requests** | PublicRecords@sao.wa.gov |
| **Main telephone** | (360) 902-0370 |
| **Toll-free Citizen Hotline** | (866) 902-3900 |
| **Website** | www.sao.wa.gov |