

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

Grays Harbor County

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1010570

Issue Date
September 30, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

September 30, 2013

Board of Commissioners
Grays Harbor County
Montesano, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Grays Harbor County January 1, 2012 through December 31, 2012

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Federal Summary

Grays Harbor County January 1, 2012 through December 31, 2012

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

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

The following were major programs during the period under audit:

| <u>CFDA No.</u> | <u>Program Title</u> |
|-----------------|---|
| 20.205 | Highway Planning and Construction Cluster - Highway Planning and Construction |
| 93.531 | Community Transformation Grants |

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

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

Status of Prior Audit Findings

Grays Harbor County January 1, 2012 through December 31, 2012

The status of findings contained in the prior years' audit reports of Grays Harbor County is provided below:

1. The County should improve its internal controls over financial preparation to ensure accurate reporting.

Report No. 1008408, dated August 29, 2012

Background

It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. We identified deficiencies in internal controls that could adversely affect the County's ability to produce reliable financial statements.

Our audit identified the following weaknesses in internal controls, that when taken together represent a significant deficiency:

- The County Budget/Insurance Office is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA), and relies on individual departments to provide an accurate list of federal grant expenditures. The County has no procedures to ensure the expenditure information submitted by the departments reconciles with accounting records or is accurate and complete.
- The County reviews financial statements, notes, and schedules before submitting them for audit. The review was not detailed enough to ensure accurate and complete financial reporting.
- The County did not fully implement Governmental Accounting Standards Board Statement (GASB) No. 54 in its 2011 financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement also updates the criteria a fund must meet in order to be reported as a special revenue fund. The County is responsible for supporting how it has reclassified its fund balances into the new categories and for determining which funds to report as special revenue funds in compliance with GASB Statement No. 54. Although County personnel believed they had a clear understanding of GASB No. 54 requirements, they misunderstood the requirements.

Status

This finding has been resolved.

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*

**Grays Harbor County
January 1, 2012 through December 31, 2012**

Board of Commissioners
Grays Harbor County
Montesano, 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 Grays Harbor County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 17, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

September 17, 2013

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Grays Harbor County
January 1, 2012 through December 31, 2012

Board of Commissioners
Grays Harbor County
Montesano, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Grays Harbor County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

September 17, 2013

Independent Auditor's Report on Financial Statements

Grays Harbor County January 1, 2012 through December 31, 2012

Board of Commissioners
Grays Harbor County
Montesano, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Grays Harbor County, Washington, for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 12.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Grays Harbor County, for the year ended December 31, 2012, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

Purpose of this Report

The report is intended for the information and use of the management, the Board of Commissioners, federal awarding agencies and pass-through entities of the County. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

September 17, 2013

Financial Section

Grays Harbor County January 1, 2012 through December 31, 2012

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2012
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2012
Schedule of Expenditures of Federal Awards – 2012
Notes to the Schedule of Expenditures of Federal Awards – 2012

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Total for All Funds | Total General Fund | Fund 101 Special Projects |
|--|--|------------------------|-----------------------|------------------------------|
| | | Total Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ 13,833,949 | \$ 43,035 | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 18,890,086 | 2,679,297 | 95,084 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | \$ 24,231,673 | \$ 15,659,772 | \$ - |
| 320 | Licenses & Permits | 648,499 | 635,015 | |
| 330 | Intergovernmental | 16,537,032 | 4,765,193 | 685,772 |
| 340 | Charges for Goods & Services | 16,151,131 | 2,791,484 | |
| 350 | Fines & Penalties | 980,146 | 980,146 | |
| 360 | Miscellaneous | 6,397,016 | 284,360 | 16,200 |
| Total Operating Revenues | | \$ 64,945,497 | \$ 25,115,970 | \$ 701,972 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 13,263,338 | \$ 9,973,023 | \$ 11,218 |
| 520 | Public Safety | 12,101,166 | 11,461,031 | 58,140 |
| 530 | Physical Environment | 6,891,112 | 70,537 | 4,122 |
| 540 | Transportation | 13,299,084 | - | |
| 550 | Economic Environment | 1,371,810 | 331,033 | 516,428 |
| 560 | Mental & Physical Health | 10,363,792 | 851,658 | |
| 570 | Culture & Recreation | 1,553,650 | 173,671 | 86,692 |
| Total Operating Expenditures | | \$ 58,843,952 | \$ 22,860,953 | \$ 676,600 |
| Net Operating Increase (Decrease) | | \$ 6,101,545 | \$ 2,255,017 | \$ 25,372 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | 3,627,370 | 1,353,573 | |
| 391-393 | Debt Proceeds | \$ 9,435,424 | \$ - | \$ - |
| 397 | Transfers-In | 9,560,524 | 47,849 | 151,586 |
| Total Nonoperating Revenues | | \$ 22,623,318 | \$ 1,401,422 | \$ 151,586 |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | 1,494,182 | 559,015 | |
| 591-593 | Debt Service | \$ 8,306,337 | \$ 998 | \$ - |
| 594-595 | Capital Expenditures | 5,562,450 | 47,781 | - |
| 597 | Transfers-Out | 9,564,878 | 857,587 | |
| Total Nonoperating Expenditures | | \$ 24,927,847 | \$ 1,465,381 | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ 3,797,016 | \$ 2,191,058 | \$ 176,958 |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 31,607,661 | \$ - | \$ 272,042 |
| 508.80 | Unreserved | \$ 4,913,390 | \$ 4,913,390 | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 102 | Fund 103 | Fund 104 |
|---|--|--------------------|---------------------|---------------------|
| | | Auditor's M & O | Fairgrounds | Trial Court Improv. |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ 4,200 | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 157,251 | 26,389 | 129,009 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | | | |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | 55,231 | 41,360 | 47,648 |
| 340 | Charges for Goods & Services | 47,632 | 281,699 | |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 101 | 288,151 | |
| Total Operating Revenues | | \$ 102,964 | \$ 611,210 | \$ 47,648 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 142,469 | \$ - | \$ 34,927 |
| 520 | Public Safety | | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | 1,171,119 | |
| Total Operating Expenditures | | \$ 142,469 | \$ 1,171,119 | \$ 34,927 |
| Net Operating Increase (Decrease) | | \$ (39,505) | \$ (559,909) | \$ 12,721 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | 15,000 | 50,000 | |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | 564,858 | |
| Total Nonoperating Revenues | | \$ 15,000 | \$ 614,858 | \$ - |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | 50,000 | |
| 591-593 | Debt Service | \$ - | \$ - | \$ - |
| 594-595 | Capital Expenditures | - | - | - |
| 597 | Transfers-Out | | - | |
| Total Nonoperating Expenditures | | \$ - | \$ 50,000 | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ (24,505) | \$ 4,949 | \$ 12,721 |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 132,746 | \$ 35,538 | \$ 141,730 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 105 | Fund 106 | Fund 107 |
|---|--|----------------|---------------|--------------------|
| | | Paths & Trails | Law Library | Affordable Housing |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 13,198 | 3,572 | 359,555 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | | | |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | 11,389 | | |
| 340 | Charges for Goods & Services | | 32,861 | 71,313 |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 23 | | 451 |
| Total Operating Revenues | | \$ 11,412 | \$ 32,861 | \$ 71,764 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ - | \$ 41,969 | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ - | \$ 41,969 | \$ - |
| Net Operating Increase (Decrease) | | \$ 11,412 | \$ (9,108) | \$ 71,764 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | | | |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | 12,500 | |
| Total Nonoperating Revenues | | \$ - | \$ 12,500 | \$ - |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | - | |
| 591-593 | Debt Service | \$ - | \$ - | \$ - |
| 594-595 | Capital Expenditures | - | - | - |
| 597 | Transfers-Out | | - | |
| Total Nonoperating Expenditures | | \$ - | \$ - | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ 11,412 | \$ 3,392 | \$ 71,764 |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 24,610 | \$ 6,964 | \$ 431,319 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 108 | Fund 109 | Fund 110 |
|---|--|--------------------|---------------|---------------|
| | | Sheriff's Law Enf. | Crime Victim | Roads |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ - | \$ 550 |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 196,942 | 4,015 | 4,275,662 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | | | \$ 5,755,167 |
| 320 | Licenses & Permits | | | 2,182 |
| 330 | Intergovernmental | (28,965) | 21,771 | 6,193,527 |
| 340 | Charges for Goods & Services | | 48,491 | 1,372 |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 25,000 | | 149,493 |
| Total Operating Revenues | | \$ (3,965) | \$ 70,262 | \$ 12,101,741 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ - | \$ 71,288 | \$ 114,807 |
| 520 | Public Safety | 76,713 | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | | | 10,595,181 |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ 76,713 | \$ 71,288 | \$ 10,709,988 |
| Net Operating Increase (Decrease) | | \$ (80,678) | \$ (1,026) | \$ 1,391,753 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | | | 552,368 |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | | |
| Total Nonoperating Revenues | | \$ - | \$ - | \$ 552,368 |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | | |
| 591-593 | Debt Service | \$ - | \$ - | \$ - |
| 594-595 | Capital Expenditures | | | 2,450,954 |
| 597 | Transfers-Out | | | |
| Total Nonoperating Expenditures | | \$ - | \$ - | \$ 2,450,954 |
| Increase (Decrease) in Cash and Investments: | | \$ (80,678) | \$ (1,026) | \$ (506,833) |
| Ending Cash & Investments | | | | |
| 508.10 | Reserved | \$ 116,264 | \$ 2,989 | \$ 3,769,379 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 111 | Fund 112 | Fund 114 |
|---|--|-------------------|-------------------|--------------------|
| | | Treasurer's M & O | Stadium/Tourism | Veteran's Relief |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ - | \$ 5,000 |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 213,307 | 786,983 | 112,769 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | \$ 5,240 | \$ 975,493 | \$ 1,162 |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | | | 238 |
| 340 | Charges for Goods & Services | 131,415 | | |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | | 375 | |
| Total Operating Revenues | | \$ 136,655 | \$ 975,868 | \$ 1,400 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 108,860 | \$ - | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | 43,241 |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | 92,673 | |
| Total Operating Expenditures | | \$ 108,860 | \$ 92,673 | \$ 43,241 |
| Net Operating Increase (Decrease) | | \$ 27,795 | \$ 883,195 | \$ (41,841) |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | | | 4 |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | | |
| Total Nonoperating Revenues | | \$ - | \$ - | \$ 4 |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | | |
| 591-593 | Debt Service | \$ - | \$ - | \$ - |
| 594-595 | Capital Expenditures | - | - | - |
| 597 | Transfers-Out | | 710,673 | |
| Total Nonoperating Expenditures | | \$ - | \$ 710,673 | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ 27,795 | \$ 172,522 | \$ (41,837) |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 241,102 | \$ 959,505 | \$ 75,932 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 116 | Fund 117 | Fund 118 |
|---|--|------------------|----------------------|---------------|
| | | Election Reserve | Landfill Postclosure | ORV Park |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ 2,364,638 | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 21,415 | - | 7,237 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | | | |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | 38,553 | | |
| 340 | Charges for Goods & Services | 77,709 | | |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | | 15,481 | 27,300 |
| Total Operating Revenues | | \$ 116,262 | \$ 15,481 | \$ 27,300 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 88,606 | \$ - | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | | 435,852 | |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | 29,495 |
| Total Operating Expenditures | | \$ 88,606 | \$ 435,852 | \$ 29,495 |
| Net Operating Increase (Decrease) | | \$ 27,656 | \$ (420,371) | \$ (2,195) |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | | 621,449 | 1,000 |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | | |
| Total Nonoperating Revenues | | \$ - | \$ 621,449 | \$ 1,000 |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | 15,000 | 559,281 | |
| 591-593 | Debt Service | \$ 101 | \$ - | \$ - |
| 594-595 | Capital Expenditures | 3,668 | - | - |
| 597 | Transfers-Out | | | |
| Total Nonoperating Expenditures | | \$ 18,769 | \$ 559,281 | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ 8,887 | \$ (358,203) | \$ (1,195) |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 30,302 | \$ 2,006,435 | \$ 6,042 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 129 | Fund 130 | Fund 131 |
|---|--|---------------------|--------------------|---------------|
| | | Public Health | Real Estate Excise | Tax Refund |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ 225 | \$ - | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 310,414 | 146,213 | 14,279 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | \$ - | \$ - | \$ 6 |
| 320 | Licenses & Permits | 5,940 | | |
| 330 | Intergovernmental | 2,097,002 | | |
| 340 | Charges for Goods & Services | 671,454 | | |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 39,989 | | |
| Total Operating Revenues | | \$ 2,814,385 | \$ - | \$ 6 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 576,877 | \$ - | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | 2,570,759 | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ 3,147,636 | \$ - | \$ - |
| Net Operating Increase (Decrease) | | \$ (333,251) | \$ - | \$ 6 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | - | - | - |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | 629,325 | | |
| Total Nonoperating Revenues | | \$ 629,325 | \$ - | \$ - |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | - | - | - |
| 591-593 | Debt Service | \$ - | \$ - | \$ - |
| 594-595 | Capital Expenditures | - | - | - |
| 597 | Transfers-Out | - | - | - |
| Total Nonoperating Expenditures | | \$ - | \$ - | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ 296,074 | \$ - | \$ 6 |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 606,713 | \$ 146,213 | \$ 14,285 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2012

| BARS CODE | | Fund 139 | Fund 140 | Fund 145 | Fund 201 |
|---|--|-------------------|---------------------|-------------------|---------------------|
| | | CDMH Therapy Ct | Mental Health | Homeless Housing | LTGO Bonds 2012 |
| | | Actual Amount | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ 1,597,841 | \$ 7,051,515 | \$ 1,435,065 | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | - | - | - | - |
| 38880/58880 | Prior Period Adjustments, net | | | | |
| Operating Revenues: | | | | | |
| 310 | Taxes | \$ 855,558 | \$ - | \$ - | \$ - |
| 320 | Licenses & Permits | | | | |
| 330 | Intergovernmental | | 2,331,155 | | |
| 340 | Charges for Goods & Services | | 5,847,006 | 324,006 | |
| 350 | Fines & Penalties | | | | |
| 360 | Miscellaneous | 716 | 6,373 | 1,577 | |
| Total Operating Revenues | | \$ 856,274 | \$ 8,184,534 | \$ 325,583 | \$ - |
| Operating Expenditures: | | | | | |
| 510 | General Government | \$ - | \$ - | \$ - | \$ - |
| 520 | Public Safety | | | | |
| 530 | Physical Environment | | | | |
| 540 | Transportation | | | | |
| 550 | Economic Environment | | | 94,506 | |
| 560 | Mental & Physical Health | 113,019 | 6,828,356 | | |
| 570 | Culture & Recreation | | | | |
| Total Operating Expenditures | | \$ 113,019 | \$ 6,828,356 | \$ 94,506 | \$ - |
| Net Operating Increase (Decrease) | | \$ 743,255 | \$ 1,356,178 | \$ 231,077 | \$ - |
| Nonoperating Revenues: | | | | | |
| 370,380,395,398 | Other Financing Sources | | | | |
| 391-393 | Debt Proceeds | \$ - | \$ (4,942) | \$ - | \$ 7,115,192 |
| 397 | Transfers-In | | 167,747 | | \$ 132,224 |
| Total Nonoperating Revenues | | \$ - | \$ 162,805 | \$ - | \$ 7,247,416 |
| Nonoperating Expenditures: | | | | | |
| 580,596,599 | Other Financing Uses | | | | \$ 198,451 |
| 591-593 | Debt Service | \$ - | \$ - | \$ - | \$ 223,965 |
| 594-595 | Capital Expenditures | - | - | - | - |
| 597 | Transfers-Out | 122,013 | | | \$ 6,825,000 |
| Total Nonoperating Expenditures | | \$ 122,013 | \$ - | \$ - | \$ 7,247,416 |
| Increase (Decrease) in Cash and Investments: | | \$ 621,242 | \$ 1,518,983 | \$ 231,077 | \$ - |
| Ending Cash & Investments: | | | | | |
| 508.10 | Reserved | \$ 2,219,083 | \$ 8,570,498 | \$ 1,666,142 | \$ - |
| 508.80 | Unreserved | \$ - | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2012

| BARS CODE | | Fund 204 | Fund 205 | Fund 301 | Fund 303 |
|--|--|-----------------------------------|----------------------------------|-------------------------------------|------------------------------------|
| | | Facilities Bonds Actual Amount | LTGO Bonds 2003 Actual Amount | Facilities Capital Actual Amount | Fair Bldg Constr. Actual Amount |
| Beginning Cash & Investments: | | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ - | \$ - | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | (303) | (302) | - | 43,111 |
| 38880/58880 | Prior Period Adjustments, net | | | | |
| Operating Revenues: | | | | | |
| 310 | Taxes | \$ - | \$ - | \$ - | \$ - |
| 320 | Licenses & Permits | | | | |
| 330 | Intergovernmental | | | | 4,646 |
| 340 | Charges for Goods & Services | | | | 4,594 |
| 350 | Fines & Penalties | | | | |
| 360 | Miscellaneous | | | | 22,000 |
| Total Operating Revenues | | \$ - | \$ - | \$ - | \$ 31,240 |
| Operating Expenditures: | | | | | |
| 510 | General Government | \$ - | \$ - | \$ - | \$ - |
| 520 | Public Safety | | | | |
| 530 | Physical Environment | | | | |
| 540 | Transportation | | | | |
| 550 | Economic Environment | | | | |
| 560 | Mental & Physical Health | | | | |
| 570 | Culture & Recreation | | | | |
| Total Operating Expenditures | | \$ - | \$ - | \$ - | \$ - |
| Net Operating Increase (Decrease) | | \$ - | \$ - | \$ - | \$ 31,240 |
| Nonoperating Revenues: | | | | | |
| 370,380,395,398 | Other Financing Sources | | | | \$ 59,281 |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - | \$ - |
| 397 | Transfers-In | 6,553,148 | 958,018 | 106,020 | \$ 102,542 |
| Total Nonoperating Revenues | | \$ 6,553,148 | \$ 958,018 | \$ 106,020 | \$ 161,823 |
| Nonoperating Expenditures: | | | | | |
| 580,596,599 | Other Financing Uses | | | 19,888 | \$ 92,547 |
| 591-593 | Debt Service | \$ 6,552,845 | \$ 957,717 | \$ 1,878 | \$ 9,995 |
| 594-595 | Capital Expenditures | - | - | 84,251 | 59,281 |
| 597 | Transfers-Out | | | | |
| Total Nonoperating Expenditures | | \$ 6,552,845 | \$ 957,717 | \$ 106,017 | \$ 161,823 |
| Increase (Decrease) in Cash and Investments: | | \$ 303 | \$ 301 | \$ 3 | \$ 31,240 |
| Ending Cash & Investments: | | | | | |
| 508.10 | Reserved | \$ - | \$ (1) | \$ 3 | \$ 74,351 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 307 | Fund 309 | Fund 310 |
|--|--|-------------------|-----------------|----------------------|
| | | Cum. Res. Constr. | Capital Improv. | Distressed Area Cap. |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ - | \$ 1,198,803 |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 1,392,519 | 168,706 | - |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | | \$ 191,597 | \$ 780,598 |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | | | 2,700 |
| 340 | Charges for Goods & Services | | | |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 182,115 | 42 | 751 |
| Total Operating Revenues | | \$ 182,115 | \$ 191,639 | \$ 784,049 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ - | \$ - | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | 386,602 |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ - | \$ - | \$ 386,602 |
| Net Operating Increase (Decrease) | | \$ 182,115 | \$ 191,639 | \$ 397,447 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | 100,000 | | |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | | |
| Total Nonoperating Revenues | | \$ 100,000 | \$ - | \$ - |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | | |
| 591-593 | Debt Service | \$ - | \$ - | \$ 120,831 |
| 594-595 | Capital Expenditures | - | - | - |
| 597 | Transfers-Out | 579,780 | 157,864 | 311,961 |
| Total Nonoperating Expenditures | | \$ 579,780 | \$ 157,864 | \$ 432,792 |
| Increase (Decrease) in Cash and Investments: | | \$ (297,665) | \$ 33,775 | \$ (35,345) |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 1,094,854 | \$ 202,481 | \$ 1,163,458 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 401 | Fund 402 | Fund 403 |
|---|--|---------------------|---------------------|-----------------------|
| | | Solid Waste | Hogans Corner Water | Tax Title Mgmt. |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ - | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 858,641 | 140,327 | 2,626,574 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | \$ - | \$ - | \$ 7,029 |
| 320 | Licenses & Permits | | | 5,362 |
| 330 | Intergovernmental | 269,812 | | |
| 340 | Charges for Goods & Services | 2,839,752 | 195,855 | |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 619,892 | 111 | 71,613 |
| Total Operating Revenues | | \$ 3,729,456 | \$ 195,966 | \$ 84,004 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 1,576 | \$ - | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | 3,801,142 | 81,811 | 1,553,564 |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ 3,802,718 | \$ 81,811 | \$ 1,553,564 |
| Net Operating Increase (Decrease) | | \$ (73,262) | \$ 114,155 | \$ (1,469,560) |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | | | 858,445 |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | 50,000 | |
| Total Nonoperating Revenues | | \$ - | \$ 50,000 | \$ 858,445 |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | | |
| 591-593 | Debt Service | \$ - | \$ 161,454 | \$ - |
| 594-595 | Capital Expenditures | 1,083 | 3,544 | 61,120 |
| 597 | Transfers-Out | | | |
| Total Nonoperating Expenditures | | \$ 1,083 | \$ 164,998 | \$ 61,120 |
| Increase (Decrease) in Cash and Investments: | | \$ (74,345) | \$ (843) | \$ (672,235) |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 784,296 | \$ 139,484 | \$ 1,954,339 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
 For The Year Ended December 31, 2012

| BARS CODE | | Fund 404 | Fund 405 | Fund 406 |
|--|--|--------------------------------------|-----------------------------------|------------------------------------|
| | | Pacific Beach Sewer Actual Amount | PB/Moclips Water Actual Amount | North Beach Water Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ 132,827 | \$ - | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 1,150,142 | 723,931 | 31,485 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | \$ - | \$ 51 | \$ - |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | | | |
| 340 | Charges for Goods & Services | 451,255 | 383,388 | 66,059 |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 719,374 | 905 | |
| Total Operating Revenues | | \$ 1,170,629 | \$ 384,344 | \$ 66,059 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ - | \$ - | \$ - |
| 520 | Public Safety | | | |
| 530 | Physical Environment | 445,346 | 437,809 | 60,929 |
| 540 | Transportation | | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ 445,346 | \$ 437,809 | \$ 60,929 |
| Net Operating Increase (Decrease) | | \$ 725,283 | \$ (53,465) | \$ 5,130 |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | - | - | - |
| 391-393 | Debt Proceeds | \$ 2,325,174 | \$ - | \$ - |
| 397 | Transfers-In | 29,062 | - | - |
| Total Nonoperating Revenues | | \$ 2,354,236 | \$ - | \$ - |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | \$ - | - | - |
| 591-593 | Debt Service | \$ 276,553 | \$ - | \$ - |
| 594-595 | Capital Expenditures | 2,342,730 | 23,309 | - |
| 597 | Transfers-Out | - | - | - |
| Total Nonoperating Expenditures | | \$ 2,619,283 | \$ 23,309 | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ 460,236 | \$ (76,774) | \$ 5,130 |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 1,743,205 | \$ 647,157 | \$ 36,615 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2012

| BARS CODE | | Fund 501 | Fund 503 | Fund 504 |
|---|--|---------------------|---------------------|---------------------|
| | | Equipment Rental | Central Services | Insurance |
| | | Actual Amount | Actual Amount | Actual Amount |
| Beginning Cash & Investments: | | | | |
| 308.10 | Reserved (as reported 2011 annual rpt) | \$ - | \$ 250 | \$ - |
| 308.80 | Unreserved (as reported 2011 annual rpt) | 1,556,836 | 324,168 | 321,660 |
| 38880/58880 | Prior Period Adjustments, net | | | |
| Operating Revenues: | | | | |
| 310 | Taxes | \$ - | \$ - | \$ - |
| 320 | Licenses & Permits | | | |
| 330 | Intergovernmental | | | |
| 340 | Charges for Goods & Services | 901,580 | 973,987 | 8,219 |
| 350 | Fines & Penalties | | | |
| 360 | Miscellaneous | 2,646,166 | 28,039 | 1,250,418 |
| Total Operating Revenues | | \$ 3,547,746 | \$ 1,002,026 | \$ 1,258,637 |
| Operating Expenditures: | | | | |
| 510 | General Government | \$ 113 | \$ 818,564 | \$ 1,279,041 |
| 520 | Public Safety | 505,282 | | |
| 530 | Physical Environment | | | |
| 540 | Transportation | 2,703,903 | | |
| 550 | Economic Environment | | | |
| 560 | Mental & Physical Health | | | |
| 570 | Culture & Recreation | | | |
| Total Operating Expenditures | | \$ 3,209,298 | \$ 818,564 | \$ 1,279,041 |
| Net Operating Increase (Decrease) | | \$ 338,448 | \$ 183,462 | \$ (20,404) |
| Nonoperating Revenues: | | | | |
| 370,380,395,398 | Other Financing Sources | 16,250 | - | |
| 391-393 | Debt Proceeds | \$ - | \$ - | \$ - |
| 397 | Transfers-In | | (4,355) | 60,000 |
| Total Nonoperating Revenues | | \$ 16,250 | \$ (4,355) | \$ 60,000 |
| Nonoperating Expenditures: | | | | |
| 580,596,599 | Other Financing Uses | | - | |
| 591-593 | Debt Service | \$ - | \$ - | \$ - |
| 594-595 | Capital Expenditures | 483,028 | 1,701 | - |
| 597 | Transfers-Out | - | - | - |
| Total Nonoperating Expenditures | | \$ 483,028 | \$ 1,701 | \$ - |
| Increase (Decrease) in Cash and Investments: | | \$ (128,330) | \$ 177,406 | \$ 39,596 |
| Ending Cash & Investments: | | | | |
| 508.10 | Reserved | \$ 1,428,506 | \$ 501,824 | \$ 361,256 |
| 508.80 | Unreserved | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY
FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2012

| BARS CODE | Total for All Fiduciary Funds | Fund 621 Personal Property Trust | Fund 627 Treasurer's Trust | Fund 642 Interagency Drug Taskforce |
|---|-------------------------------|----------------------------------|----------------------------|-------------------------------------|
| 308 | 1,613,711 | 222 | 1,008,966 | 47,463 |
| 388 and 588 | 0 | 0 | 0 | 0 |
| 310-360 | 16,090,183 | 0 | 0 | 23,072 |
| 370-390 | 6,139,592 | 0 | 3,459,505 | 60,000 |
| 510-570 | 68,139 | 0 | 0 | 68,139 |
| 580-590 | 21,830,859 | 0 | 3,210,481 | 0 |
| Increase (Decrease) in Cash and Investments | 330,777 | 0 | 249,024 | 14,933 |
| 508 | 1,944,486 | 222 | 1,257,991 | 62,395 |

| BARS CODE | Fund 649 Boating Safety Reg Fees | Fund 652 State of Washington | Fund 676 County Schools |
|---|----------------------------------|------------------------------|-------------------------|
| 308 | 105,621 | 367,991 | 83,447 |
| 388 and 588 | 0 | 0 | 0 |
| 310-360 | 0 | 13,818,795 | 2,248,316 |
| 370-390 | 19,749 | 2,583,958 | 16,380 |
| 510-570 | 0 | 0 | 0 |
| 580-590 | 49,707 | 16,334,756 | 2,235,916 |
| Increase (Decrease) in Cash and Investments | -29,958 | 67,997 | 28,780 |
| 508 | 75,663 | 435,988 | 112,227 |

The accompanying notes are an integral part of this statement.

GRAYS HARBOR COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Grays Harbor County was incorporated on May 15, 1915 and operates under the laws of the state of Washington applicable to a county government. The County is a general purpose government and provides the following services: public safety, road improvement, solid waste management, planning and zoning, parks and recreation, judicial administration, health and social services and general administrative services. The County uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the County 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 assets that County holds for others in an agency capacity.

B. Basis of Accounting

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

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

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

C. Budgets

The County adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level (except the general fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

| Fund/Department | Final Appropriated Amounts | Actual Expenditures | Variance |
|--|----------------------------|---------------------|--------------------|
| General Fund: | | | |
| Assessor | \$1,215,962 | \$1,136,365 | \$79,597 |
| Auditor | 667,051 | 638,073 | 28,978 |
| Board Of Equalization | 34,142 | 33,927 | 215 |
| Civil Service | 6,323 | 5,609 | 714 |
| Clerk | 643,100 | 635,978 | 7,122 |
| Commissioners | 463,931 | 457,262 | 6,669 |
| Environmental Health | 613,276 | 612,386 | 890 |
| Coroner | 256,177 | 245,288 | 10,889 |
| Facility Services | 1,017,003 | 961,413 | 55,590 |
| Disability | 5,773 | 5,703 | 70 |
| Boundary Review Board | 6,928 | 5,930 | 998 |
| Extension Agent | 222,719 | 212,697 | 10,022 |
| District Court | 1,198,413 | 1,123,579 | 74,834 |
| Juvenile | 2,241,755 | 2,223,918 | 17,837 |
| Planning & Building | 888,156 | 724,323 | 163,833 |
| Prosecutor | 2,093,991 | 2,053,013 | 40,978 |
| Sheriff/Jail | 9,124,590 | 9,051,226 | 73,364 |
| Superior Court | 793,838 | 774,158 | 19,680 |
| Treasurer | 492,456 | 489,284 | 3,172 |
| Public Defense | 990,466 | 970,209 | 20,257 |
| Park & Vegetation Mgmt | 40,278 | 37,749 | 2,529 |
| Advanced Expenditure | 239,176 | 180,550 | 58,626 |
| Non-Departmental | 2,384,875 | 1,825,695 | 559,180 |
| <i>Total General Fund</i> ^[2] | <i>\$25,640,379</i> | <i>\$24,404,334</i> | <i>\$1,236,045</i> |
| | | | |

| Miscellaneous Funds: | | | |
|---|-------------|------------|-----------|
| Special Projects | \$1,300,048 | \$676,599 | \$623,449 |
| Auditor's M&O | 162,670 | 142,469 | 20,201 |
| Fair Event ^{[1][2]} | 433,584 | 423,646 | 9,938 |
| Pavilion ^[1] | 219,373 | 202,393 | 16,980 |
| Equine ^[1] | 42,500 | 28,612 | 13,888 |
| Interim Events ^[1] | 109,400 | 102,023 | 7,377 |
| Recreation & Activities ^[1] | 528,182 | 488,445 | 39,737 |
| Trial Court Improvement | 37,629 | 34,927 | 2,702 |
| Law Library | 46,901 | 41,969 | 4,932 |
| Affordable Housing | 53,000 | 0 | 53,000 |
| Sheriff's Law Enforcement ^[1] | 21,000 | 13,675 | 7,325 |
| Federal Equitable Sharing ^[1] | 118,038 | 63,038 | 55,000 |
| Crime Victim Penalty Assm | 91,478 | 71,288 | 20,190 |
| Roads | 13,774,076 | 13,160,942 | 613,134 |
| Treasurer's M&O | 43,856 | 108,860 | (65,004) |
| Stadium ^[1] | 488,777 | 215,386 | 273,391 |
| Tourism ^[1] | 666,768 | 587,960 | 78,808 |
| Veterans Relief | 52,000 | 43,241 | 8,759 |
| Election Reserve | 110,600 | 107,375 | 3,225 |
| Aberdeen Landfill Post-closure | 1,775,000 | 995,133 | 779,867 |
| ORV Park | 29,650 | 29,495 | 155 |
| Public Health & Social Services | 3,666,396 | 3,147,636 | 518,760 |
| Real Estate Exc Tax Technology | 40,000 | 0 | 40,000 |
| Chem Dep/MH/Therapy Court | 590,231 | 235,032 | 355,199 |
| Mental Health ^{[1][2]} | 9,994,053 | 9,694,485 | 299,568 |
| Substance Abuse ^[1] | 736,398 | 353,518 | 382,880 |
| Developmental Disabilities ^[1] | 566,055 | 505,626 | 60,429 |
| Mental Health RSN Risk Reserve ^[1] | 2,000 | 0 | 2,000 |
| MH Inpatient ^[1] | 700 | 0 | 700 |
| MH Operating Reserve ^[1] | 600 | 0 | 600 |
| MH/DDD Levy Tax ^[1] | 82,750 | 0 | 82,750 |
| Homeless Housing | 490,000 | 94,506 | 395,494 |
| LTGO Refunding Bonds 2012 | 7,247,417 | 7,247,416 | 1 |
| LTGO Bonds 2002 | 6,697,053 | 6,552,845 | 144,208 |
| LTGO Bonds 2003 | 975,395 | 957,717 | 17,678 |
| Facilities Capital | 137,447 | 106,018 | 31,429 |
| Fair Bldg Construction | 1,270,951 | 161,822 | 1,109,129 |
| Cumula Res Construction | 583,527 | 579,780 | 3,747 |
| Capital Improvements | 303,447 | 157,864 | 145,583 |

| | | | |
|---|---------------------|---------------------|---------------------|
| Distressed Area Capital | 1,192,485 | 819,395 | 373,090 |
| Solid Waste Plan | 4,394,115 | 3,803,801 | 590,314 |
| Hogan's Corner Water System | 279,900 | 246,809 | 33,091 |
| Tax Title Management | 1,803,526 | 1,614,685 | 188,841 |
| PB Sewer M&O ^[1] | 616,862 | 551,729 | 65,133 |
| PB Sewer Construction ^[1] | 3,200,000 | 2,333,751 | 866,249 |
| PB Sewer Bond ULID #7 ^[1] | 95,400 | 95,292 | 108 |
| PB Sewer Bond ULID #8 ^[1] | 85,000 | 83,857 | 1,143 |
| PB/Moclips Water Sys M&O ^[1] ^[2] | 466,500 | 461,118 | 5,382 |
| PB/Moclips Water Sys Bond ^[1] | 200 | 64 | 136 |
| PB/Moclips Water PWTF Dbt ^[1] | 40,451 | 0 | 40,451 |
| North Beach Water System | 101,350 | 60,929 | 40,421 |
| Equip Rental & Revolving ^{[1][2]} | 4,146,992 | 3,989,835 | 157,157 |
| E R & R Replacement ^{[1][2]} | 711,000 | 593,261 | 117,739 |
| Central Services ^{[1][2]} | 1,011,050 | 830,265 | 180,785 |
| Management Services | 1,335,109 | 1,279,041 | 56,068 |
| <i>Total Miscellaneous Funds:</i> | <i>\$72,968,890</i> | <i>\$64,095,571</i> | <i>\$8,873,319</i> |
| <i>County Totals</i> | <i>\$98,609,269</i> | <i>\$88,499,905</i> | <i>\$10,109,364</i> |

^[1] The Budget does not reflect the consolidation of managerial funds contained in the Financial Statements.

^[2] The Budget does not reflect the intrafund transfer eliminations contained in the Financial Statements.

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

The following funds had amendments to their appropriated budgets during 2012:

| Fund | Original Appropriation | Amendments | Final Appropriation |
|---------------------------------|------------------------|-------------|---------------------|
| General Fund | \$24,048,318 | \$1,592,061 | \$25,640,379 |
| Special Projects | 1,186,343 | 113,705 | 1,300,048 |
| Fair Event | 419,084 | 14,500 | 433,584 |
| Trial Court Improvement | 27,629 | 10,000 | 37,629 |
| Law Library | 34,401 | 12,500 | 46,901 |
| Federal Equitable Sharing | 25,000 | 93,038 | 118,038 |
| Stadium | 476,402 | 12,375 | 488,777 |
| ORV Park | 29,300 | 350 | 29,650 |
| Public Health & Social Services | 3,237,550 | 428,846 | 3,666,396 |
| Chem Dep/MH/Therapy Court | 137,253 | 452,978 | 590,231 |
| Mental Health | 6,268,780 | 3,725,273 | 9,994,053 |
| LTGO Refunding Bonds 2012 | 0 | 7,247,417 | 7,247,417 |
| LTGO Bonds 2002 | 742,053 | 5,955,000 | 6,697,053 |
| LTGO Bonds 2003 | 105,395 | 870,000 | 975,395 |
| Facilities Capital | 23,447 | 114,000 | 137,447 |
| Cumula Res Construction | 462,053 | 121,474 | 583,527 |
| Distressed Area Capital | 1,165,029 | 27,456 | 1,192,485 |
| Tax Title Management | 1,490,710 | 312,816 | 1,803,526 |
| PB Sewer Construction | 0 | 3,200,000 | 3,200,000 |
| Equip Rental & Revolving | 3,646,992 | 500,000 | 4,146,992 |
| ER&R Replacement | 511,000 | 200,000 | 711,000 |
| Management Services | 1,246,109 | 89,000 | 1,335,109 |

Material budget amendments made during the year are described as follows:

1. **Mental Health \$3,725,273** – Resolution #2012-060: Transfer in is increased to authorize the transfers of monies to the appropriate reserve.
2. **LTGO Refunding Bonds 2012 - \$7,247,417** - Resolution #2012-119: Record proceeds from refunding bonds transferred to defease bonds in other funds, debt issuance costs, principal and interest due in current year.
3. **LTGO Bonds 2003 - \$5,955,000** - Resolution #2012-117: Record defeasance of bonds previously issued for Courthouse earthquake repairs.
4. **PB Sewer Construction \$3,200,000** – Resolution #2012-025: Authorize sewer construction project necessary for the expansion of the Pacific Beach Sewer treatment plant.

D. Cash

It is the County's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is posted to the general fund.

E. Deposits

The County's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 3, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. The capital assets of the County are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Maximum allowable accruals are set by union contract.

Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees may receive payment for unused sick leave. Maximum allowable accrual and unused sick leave payment is set by union contract.

I. Long-Term Debt See Note 6, *Debt Service Requirements*.

J. Other Financing Sources or Uses

The county's *Other Financing Sources or Uses* consist of the sale of County Timber, sale of Fixed Assets, Insurance Recoveries, Interfund Loan proceeds & repayments, Intergovernmental Loan proceeds and repayments.

K. Risk Management - See Note 9

L. Reserved Fund Balance

| Fund | Nature of Reservation | Amount |
|------------------------------------|---|--------------|
| 101 Special Projects | Committed per Resolution 2012-154 | \$272,042 |
| 102 Auditor's M&O | Restricted per RCW 36.22.170 and Resolution 89-64 | 132,746 |
| 103 County Fair | Committed per Resolution 2012-056 | 35,538 |
| 104 Trial Court Improvement | Restricted per RCW 3.58.060 and Ordinance 338 | 141,730 |
| 105 Paths & Trails | Restricted per RCW 47.30 | 24,610 |
| 106 Law Library | Restricted per RCW 27.24.010 & 070 | 6,964 |
| 107 Affordable Housing | Restricted per RCW 36.22 and Resolution 2002-43 | 431,319 |
| 108 Sheriff's Law Enforcement | Committed per Resolutions 90-25, 2001-98 & 2004-39 | 116,264 |
| 109 Crime Victim Penalty | Restricted per RCW 7.69 | 2,989 |
| 110 Roads | Restricted per RCW 36.82.010 | 3,769,379 |
| 111 Treasurer's M&O | Restricted per RCW 84.56.020 | 241,102 |
| 112 Stadium/Tourism | Restricted per RCW 67.28 & Ordinance 98-248 | 959,505 |
| 114 Veteran's Relief | Restricted per RCW 73.08.080 | 75,932 |
| 116 Election Reserve | Committed per Resolution 2012-079 | 30,302 |
| 117 Landfill Post-closure | Committed for landfill post-closure costs per Resolution 91-5 | 2,006,435 |
| 118 ORV Park | Committed per Resolution 2012-068 | 6,042 |
| 129 Public Health | Committed per Resolution 2007-110 | 606,713 |
| 130 REET Electronic Technology | Restricted per RCW 82.45.180 & Resolution 2005-56 | 146,213 |
| 131 Tax Refund | Restricted by RCW 84.68.040 | 14,285 |
| 139 Chemical Dep/MH & Therap Court | Restricted by RCW 82.14.460 & Ordinance 382 | 2,219,083 |
| 140 Mental Health | Restricted due to restrictions on grant revenue | 8,570,498 |
| 145 Homeless Housing | Committed per Resolution 2005-66 | 1,666,142 |
| 301 Facilities Capital | Committed per Resolution 2012-105 | 3 |
| 303 Fair Bldg Construction | Committed per Resolution 2012-106 | 74,351 |
| 307 Cum. Reserve for Construction | Restricted per RCW 36.33.020 | 1,094,854 |
| 309 Capital Improvements | Restricted per RCW 35.43.040 | 202,481 |
| 310 Distressed Area Capital | Restricted per RCW 82.14.370 | 1,163,458 |
| 401 Solid Waste Plan | Committed per Resolution 2012-155 | 784,296 |
| 402 Hogan's Corner Water System | Committed per Resolution 2012-156 | 139,484 |
| 403 Tax Title Management | Committed per Ordinance 84 | 1,954,339 |
| 404 Pacific Beach Sewer System | Committed per Resolution 2012-157 | 1,743,206 |
| 405 PB/Moclips Water System | Committed per Resolution 2012-158 | 647,157 |
| 406 North Beach Water System | Committed per Resolution 2012-159 | 36,615 |
| 501 Equipment R&R | Restricted per RCW 36.33A.010-060 | 1,428,506 |
| 503 Central Services | Committed per Resolution 2012-154 | 501,824 |
| 504 Management Services | Committed per Resolution 2012-154 | 361,256 |
| | Total | \$31,607,663 |

NOTE 2 – COMPLIANCE and ACCOUNTABILITY

There have been no material violations of finance related legal or contractual provisions. There were no expenditures exceeding legal appropriations in the funds of the County, except in the following funds. The Treasurer’s M & O fund overspent their budget \$65,004. This fund operates as a revolving fund and is not subject to budgetary limitations.

NOTE 3 - INVESTMENTS

The County’s investments are either insured, registered or held by the County or its agent in the County’s name.

Investments are presented at cost.

Investments by type at December 31, 2012 are as follows:

| TYPE OF INVESTMENT | COUNTY'S OWN INVESTMENTS | INVESTMENTS HELD BY COUNTY AS AN AGENT FOR OTHER LOCAL GOVERNMENTS | TOTAL |
|-----------------------|--------------------------|--|--------------|
| LGIP | \$36,677,170 | \$19,094,551 | \$55,771,721 |
| Government Securities | 5,726,200 | 0 | 5,726,200 |
| Money Market Accounts | 3,050,000 | 2,000 | 3,052,000 |
| Total | \$45,453,370 | \$19,096,551 | \$64,549,921 |

NOTE 4 – PROPERTY TAX

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

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

The County’s regular levy for the year 2012 was \$1.6322463 per \$1,000 on an assessed valuation of \$6,375,028,341 for a total regular levy of \$10,405,617.

In 2012, the County also levied \$1.7802144 per \$1,000 on an assessed valuation of \$2,726,231,594 for a total road levy of \$4,853,277.

NOTE 5 – INTERFUND LOANS

The following table displays interfund loan activity during 2012:

| Borrowing Fund | Lending Fund | Balance 1/01/12 | New Loans | Repayments | Balance 12/31/12 |
|--------------------|-----------------------|--------------------|-----------|------------|---------------------|
| Fair Construction | Landfill Post-closure | \$312,507 | \$59,281 | \$92,547 | \$279,241 |
| Election Reserve | Auditor's M & O | 45,000 | | 15,000 | 30,000 |
| General Fund | Landfill Post-closure | 18,030 | | 9,015 | 9,015 |
| Facilities Capital | Landfill Post-closure | 59,663 | | 19,888 | 39,775 |
| General Fund | Landfill Post-closure | 0 | 500,000 | 500,000 | 0 |
| | | \$435,200 | \$559,281 | \$636,450 | \$358,031 |

NOTE 6 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the county and summarizes the county's debt transactions for year ended December 31, 2012.

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

| | General Obligation Bonds | Revenue Bonds | Other Debt | Total Debt |
|-----------|--------------------------------|------------------|---------------|---------------|
| 2013 | \$744,947 | \$179,149 | \$556,314 | \$1,480,410 |
| 2014 | 746,888 | 179,149 | 560,382 | 1,486,419 |
| 2015 | 744,787 | 179,149 | 552,491 | 1,476,427 |
| 2016 | 782,488 | 179,148 | 500,876 | 1,462,512 |
| 2017 | 783,337 | 179,149 | 483,472 | 1,445,958 |
| 2018-2022 | 3,902,100 | 441,980 | 2,058,349 | 6,402,429 |
| 2023-2027 | 103,000 | - | 1,637,483 | 1,740,483 |
| 2028 | - | - | 825,799 | 825,799 |
| Totals | \$7,807,547 | \$1,337,724 | \$7,175,166 | \$16,320,437 |

NOTE 7 – PENSION PLANS

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

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

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

NOTE 8 – POST RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in Note 7, and in accordance with the LEOFF Act, the County pays for health insurance and medical costs not covered by insurance for retired full-time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. Substantially all of the County's law enforcement officers who established membership in the LEOFF 1 retirement system may be eligible for these benefits when they reach normal retirement age. The County reimburses retired LEOFF 1 law enforcement officers for reasonable medical charges as described in the LEOFF act. In 2012, 19 retirees received benefits under this Act. As of December 31, 2012, there is one active officer, 56 years of age, who becomes eligible for these benefits when he reaches normal retirement age.

The cost of retiree health care benefits is recognized as an expenditure in the General Fund as claims are paid. For 2012, these costs totaled \$237,963 with an average cost per retiree of \$12,524.

NOTE 9 – RISK MANAGEMENT

Grays Harbor County is one of twenty-seven member counties of the Washington Counties Risk Pool ("Pool"). Other members include: Adams, Benton, Chelan and Clallam, Clark, Columbia, Cowlitz and Douglas, Franklin, Garfield and Island, Jefferson, Kittitas, Lewis and Mason, Okanogan, Pacific, Pend Oreille and San Juan, Skagit, Skamania, Spokane and Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having terminated their memberships September 30th of 2010, 2002 and 2003 respectively.

Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits resulting from any of the Pool's fiscal years are financed by proportional reassessments (aka retroactive assessments) amongst the deficient year's membership. The Pool's reassessments receivable balance at December 31, 2012 was ZERO (\$0) as no contingent liabilities were known to exist at that time.

Joint Self-Insurance Liability Program: The Pool has provided its member counties occurrence-based, jointly self-insured and/or jointly purchased liability coverage since October 1, 1988 for 3rd-party bodily injury, personal injury, property damage, errors and omissions, and advertising injury, including public officials' errors and omissions. Total coverage limits have grown over time, from the \$1 million limit during the Pool's initial two months to \$5 million, then to \$10 million and onto \$15 million before reaching the \$20 million limit existing the past eight years. (Note: Additional limits of \$5 million were offered the past several years for acquisition as a member-by-member option.)

Except for the Pool's self insured retention (the greater of the member's deductible or \$100,000), the initial coverage of at least \$10 million has been fully reinsured since October 1994 by superior-rated commercial carriers. Members annually select a deductible amount of \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000 for each occurrence. The remaining insurance (up to \$15 million) is acquired as "following form" excess insurance, also from superior-rated commercial carriers. There are no aggregate limits to the payments made for any one member county or all member counties combined.

The Pool's claims database increased during Py2012 with the addition of 634 new claims (and lawsuits) raising the 3rd-party liability claims to-date total submitted by member counties to 18,616. Estimates of total incurred losses (payments made plus reserved estimates for *open* claims) increased \$5.4 million during the year to \$242.8 million. The Py2012 amount represents just 34% of the corresponding \$16.0M increase in Py2011, 30% of the \$17.8M in Py2010, and only 26% of the \$20.8M annual average during Py2007 – Py2009.

Washington Counties Property Program ("WCPP"): Since the Pool began offering the jointly-purchased, fully-insured property insurance coverage to its membership as an individual county option in October 2005, participation has grown by more than 50% and the total value of covered properties has nearly doubled. Twenty six member counties with covered properties totaling nearly \$2.67 billion participated in this program during Py2012.

Coverage is for structures, vehicles, mobile equipment, EDP equipment, etc., and composite limits include \$500 million for normal (All Other Perils) exposures and \$200 million for catastrophe (Flood / Earthquake) exposures. Occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between \$5,000 and \$50,000 for the AOP coverage.

Superior-rated commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. There were 7 claims filed during Py2012 by participating counties with incurred loss estimates totaling \$0.35 million. During the WCPP's first seven years as a WCRP optional insuring program, there have been 85 property claims filed with incurred-to-date losses totaling slightly more than \$11 million. With to-date premiums for this coverage totaling nearly \$16.5 million, the program's cumulative loss ratio is 0.667.

Other Insurances: Several member counties also use the Pool's producer (broker) for other insurance placements. Public officials bonds, crime (& fidelity), special events/concessionaires, Underground Storage Tanks and other environmental hazards insurance coverages are examples.

Background: The Pool was formed August 18, 1988 when several Washington counties approved an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW to provide its member counties with “joint” programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling and risk management. Washington’s pools operate under Washington’s “pooling” laws, more specifically Chapters 48.62 RCW and 200.100 WAC. They are overseen by the State Risk Manager and subject to fiscal audits performed annually by the State Auditor.

The Pool’s mission is: To provide comprehensive and economical risk coverage; to reduce the frequency and severity of losses; and to decrease costs incurred in the managing and litigation of claims. The Pool’s core values include: being committed to learn, understand and respond to the member counties’ insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations; the Pool’s board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes; and being committed to continuous planning and innovation in product development and service delivery.

The enabling Interlocal Agreement was amended once (in 2000) to add a Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support the best management of the Pool and its resources. The intent of the Compact was to obligate member counties to support these goals through three major elements; membership involvement, risk control practices, and a targeted risk management program.

A new member may be asked to pay modest admittance fees to cover that member’s share of the Pool’s organizational expenses and costs to analyze its loss data and risk profile. Members contract initially to remain in the Pool for at least five years. Counties may terminate their memberships at the conclusion of any Pool fiscal year following the initial term if the county timely files its required advance written notice. Otherwise, the Interlocal Agreement is renewed automatically for another year. Even after termination, a former member remains responsible for reassessments from the Pool for its proportional shares of any unresolved, unreported, and in-process claims for the periods that former member was a signatory to the Interlocal Agreement.

Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Pool’s board of directors, made up of both elected and appointed county officials, meets three times each year, with the summer meeting being the Pool’s Annual Meeting. The board of directors is responsible for determining the 3rd-party liability coverage to be offered (approving the insuring document or coverage form), the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, for approval of the Pool’s annual operating budget(s) and work program(s), and for approval of the member deposit assessment formulas applicable to the ensuing policy year.

Regular oversight of the Pool’s operations is furnished by an 11-person executive committee. The committeepersons are elected by the Pool’s board of directors from its membership to staggered, 3-year terms. The committee meets several times throughout the year to approve all Pool disbursements and examine the Pool’s financial health; to approve any case settlement exceeding the member’s deductible by at least \$50,000, and to review all claims with incurred loss estimates exceeding \$100,000; to evaluate the Executive Director and the Pool’s operations and program deliverables; and to participate in the board’s standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization’s policies and coverage documents.

Staffing and Support Teams: The Pool's 6-person claims staff with more than ninety years of combined claims-handling experience handles or oversees the handling of the several hundred liability cases filed upon the Pool's member counties each year. This includes establishing reserves for covered events and estimating undiscounted future cash payments for losses and their related claims adjustment expenses. Other Pool staffers provide various member services, e.g conducting risk assessments and compliance audits, coordinating numerous trainings, researching other coverages and marketing. Some address and support the organization's administrative needs.

Also, professionals from some of the most respected organizations worldwide are called upon regularly to address specific needs of the Pool. For example, independent actuarial services are furnished by PricewaterhouseCoopers, LLP; independent claims auditing is performed by Startegic Claims Direction with special claims audits frequently performed by the Pool's commercial reinsurers / insurers; insurance producer (broker) and advanced loss control services are provided by Arthur J. Gallagher Risk Management Services, Inc.; and coverage counsel is provided by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and in-county attorneys assigned to defend Pool cases, as well as the examinations by and services from the State Risk Manager and the State Auditor.

Financial Summary: The following constitute the most significant highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2011 through September 2012):

- *Net Operating Income* realized was \$1.8 million, a 132% year-over-year increase and nearly triple the annual average from the past ten years, 2002-11.
- *Total Assets* grew \$1.0 million (2%) to \$42.1 million. Current assets increased \$1.2 million (3%) while non-current assets decreased \$0.2 million (16%).
- Total *Claims Reserves* for the Pool's direct reserving exposures decreased 2% to \$14.7 million. This total includes: \$4.3 million for losses in the coverage layer retained by the Pool, down 23%; \$9.4 million for the aggregated stop losses in the retained layers associated with the "corridor" program for automobile and general liabilities, up 10%; and \$1.0 million for unallocated loss adjustment expenses, up 17% from one year ago. *NOTE: The corridor program referenced is now six years old yet still not fully matured. Further, its occurrence coverage maximum was increased to \$1.0 million beginning with Py2010, up from the \$0.5 million level that existed during the program's first three years, while the program's occurrence minimum remains the greater of the applicable member's deductible or \$100,000.*
- *Net Position* (formerly referred to as *Net Assets* and also known as *Members' Equity*) increased \$1.8 million to nearly \$12.9 million as of September 30, 2012. Of that total, \$4.8 million is classified as *Restricted Net Position* — \$0.8 million to satisfy the State's solvency provisions (WAC 200.100.03001) plus \$4.0 million for the Pool's Underwriting Policy requirements — and another \$1.0 million is held as *Capital Assets* (net of debt). The remaining \$7.1 million held as *Non-Restricted Net Position*, up from \$4.4 million one year before, is available for use as directed by the Pool's Board of Directors.

NOTE 10 – JOINT VENTURE

The County and cities of Aberdeen and Hoquiam jointly operate an Interagency Drug Task Force. The County reports the Task Force as an agency fund. The purpose of the Task Force is to enhance the investigation and enforcement of laws against illegal drugs.

The Task Force is governed by an administrative board composed of the County Sheriff and the Aberdeen and Hoquiam Police Chiefs. The Board is responsible for establishing the budget, authorizing the acquisition of equipment, setting operating policies and resolving disputes.

Activity for the year ended December 31, 2012 is as follows:

| | Total | County |
|--------------|-----------|-----------|
| Revenue | \$279,280 | \$153,235 |
| Expenditures | \$512,872 | \$272,790 |

NOTE 11 – LANDFILL POST-CLOSURE AGREEMENT

In September of 1990 Grays Harbor County entered into an agreement with Lemay Enterprises, Inc. (the Company), concerning the closure and post-closure care of the landfill operation known as the Aberdeen Sanitary Landfill, (the Landfill). This agreement was entered into to ensure that federal and state requirements concerning financial assurances for the closure and post-closure costs would be fulfilled.

Under the agreement, the Company increased tipping fees to provide funds for closure and post-closure activities. The Company is responsible for all costs associated with the closure of the facility.

The Company shall conduct all post-closure care of the Landfill in accordance with the approved post-closure plan and all applicable local, state and federal laws and regulations. Post-closure costs shall be approved by the County and paid out of the post-closure fund administered by the County. In the event that there are insufficient funds for the post-closure care of the Landfill, the County shall pay any and all shortfalls.

The minimum post-closure period is 20 years; however, post-closure activities will be required for as long as the Landfill is producing contaminated leachate or landfill gas. The County used a 30-year factor when establishing the increase of current tipping fees to fund the post-closure activities. Post-closure costs are estimated by the County to be approximately \$250,000 per year. This amount is subject to change due to inflation, technology, and or regulation. Accumulated funds from the increase in tipping fees, which ceased when the Landfill closed during 1994, are anticipated to fully pay for the post-closure costs throughout the monitoring period.

NOTE 12 – INTERGOVERNMENTAL AGREEMENT

The County and counties of Lewis, Mason and Thurston have agreed to participate in the Chehalis Basin Partnership through an Intergovernmental Agreement. The four counties support the collaboration among the Chehalis Basin Watershed communities to implement a comprehensive strategy for balancing competing demands for water, while at the same time preserving and enhancing the future integrity of the Chehalis Basin Watershed.

NOTE 13 – OTHER DISCLOSURES

Issued Refunding Bonds:

On September 6, 2012 the County issued \$6,850,000 in Limited Tax General Obligation Refunding Bonds. These bonds have a final maturity in 2023. The proceeds of these bonds were used to currently refund the 2002 Courthouse Repair Bonds scheduled to mature on December 1, 2013 through 2022 and advance refund the portion of the 2003 Industrial Waterline Bonds scheduled to mature on December 1, 2014 through December 1, 2023.

Grays Harbor Energy, LLC v. Grays Harbor County

Grays Harbor Energy, LLC (GHE) asserts various claims for personal property tax refunds for claimed overpayments for years 2005 to 2008, 2010, 2011, and 2012. Although under appeal, refund claims for years 2005 to 2008 may be substantial; however, if a refund is ordered significant portions will come from the involved special districts and not from County general funds. The County is vigorously defending the Assessor's valuations for years 2010 to 2012 and expects to prevail at a future hearing.

Miscellaneous Claims

The County is occasionally the defendant in various claims including building code enforcement actions, emotional distress, dog bites and slip and falls. There are currently 19 outstanding or possible claims of this type which the county is defending and expects to prevail or have dismissed for lack of merit.

GRAYS HARBOR COUNTY
SCHEDULE OF LIABILITIES

For the year ended December 31, 2012

| Debt Type | ID. No. | Description | Maturity/Payment Due Date | Beginning Balance January 1, 2012 | Additions | Reductions | BARS Code for Redemption of Debt Only | Ending Balance December 31, 2012 |
|----------------------------|---------|--------------------------------------|---------------------------|-----------------------------------|------------------|------------------|---------------------------------------|----------------------------------|
| General Obligations | | | | | | | | |
| | 263.81 | PWTF Loan 1997 | 7/1/2017 | 386,842 | | 64,474 | 58235 | 322,368 |
| | 263.81 | SRF Loan, 1996 | 5/15/2016 | 130,778 | | 29,062 | 58235 | 101,716 |
| | 263.81 | DWSRF 2009 | 10/1/2028 | 2,345,911 | | 137,995 | 58234 | 2,207,916 |
| | 263.81 | CERB Loan 1994 T93-022 | 1/1/2015 | 141,371 | | 34,990 | 59158 | 106,381 |
| | 251.11 | Limited Tax GO Bonds 2002 | 12/1/2022 | 6,390,000 | | 6,390,000 | 59119 | 0 |
| | 263.81 | CERB Loan C2001-141 | 7/22/2022 | 402,168 | 0 | 34,769 | 59158 | 367,399 |
| | 251.11 | Limited Tax GO Bonds 2003 | 12/1/2013 | 1,005,000 | | 935,000 | 59119 | 70,000 |
| | 263.81 | CERB Loan C1999-122PW | 7/23/2023 | 452,727 | 0 | 33,755 | 59158 | 418,972 |
| | 251.11 | Limited Tax GO Bonds 2012 | 12/1/2023 | 0 | 6,850,000 | 100,000 | 59119 | 6,750,000 |
| | 263.81 | PWTF Loan 2012 | 6/1/2031 | 0 | 2,325,174 | 0 | 58235 | 2,325,174 |
| | 259.11 | Compensated Absences Liability-Govtl | | 1,462,459 | 74,172 | 0 | | 1,536,631 |
| | | Total General Obligations: | | 12,717,256 | 9,249,346 | 7,760,045 | | 14,206,557 |
| Revenue Obligations | | | | | | | | |
| | 252.11 | Water & Sewer Revenue Bonds 1999 | 6/22/2019 | 628,470 | | 67,011 | 58235 | 561,459 |
| | 252.11 | Sewer Revenue Bonds 2000 | 5/5/2020 | 609,483 | | 56,430 | 58235 | 553,053 |
| | 259.12 | Compensated Absences Liability-Prop | | 322,243 | 5,111 | 0 | | 327,354 |
| | | Total Revenue Obligations: | | 1,560,196 | 5,111 | 123,441 | | 1,441,866 |
| | | Total Liabilities: | | 14,277,452 | 9,254,457 | 7,883,486 | | 15,648,423 |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|---|---|-------------|-------------------------|--------------------------|--------------------|------------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| US Dept of Agriculture | National School Lunch Program | 10.555 | N/A | | 40,758 | 40,758 1,2 |
| US Dept of Agriculture/State of WA Dept of Health | Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | C16885 | 327,657 | | 327,657 1,2 |
| US Dept of Agriculture/State of WA Dept of Health | Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | C16885 | 29,135 | | 29,135 1,2 |
| Total CFDA 10.557 | | | | 356,792 | 0 | 356,792 |
| US Dept of Agriculture/State of WA Dept of Health | State administrative matching grants for the Supplemental Nutrition Assistance Program | 10.561 | C16885 | 106,332 | | 106,332 1,2 |
| US Dept of Agriculture | Cooperative Forestry Assistance | 10.664 | 09-PA-11060900-017 | | 32,362 | 32,362 1,2 |
| US Dept of Housing & Urban Development/WA St Dept of Commerce | Community Development Block Grants/State's program and non-entitlement grants in Hawaii | 14.228 | 12-65400-003 | 26,574 | | 26,574 1,2,3 |
| US Dept of Housing & Urban Development/WA St Dept of Commerce | Community Development Block Grants/State's program and non-entitlement grants in Hawaii | 14.228 | 11-64100-003 | 111,866 | | 111,866 1,2,3 |
| Total CFDA 14.228 | | | | 138,440 | 0 | 138,440 |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|--|---|-------------|-------------------------|--------------------------|--------------------|-----------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| | | | | Total Amount | | |
| US Dept of Justice/WA St Dept of Commerce/City of Aberdeen | Violence Against Women Formula Grant | 16.588 | 2010 WFAW 0021 | 2,027 | | 2,027 1,2 |
| US Dept of Justice/GH Drug Task Force | Corrections_ Training and Staff Development | 16.601 | PA-WAW-0232 | 8,169 | | 8,169 1,2 |
| US Dept of Justice | Corrections_ Training and Staff Development | 16.601 | PA-WAW-0232 | | 14,665 | 14,665 1,2,3 |
| US Dept of Justice/GH Drug Task Force | Corrections_ Training and Staff Development | 16.601 | PA-WAW-0263 | 2,665 | | 2,665 1,2 |
| Total CFDA 16.601 | | | | 10,834 | 14,665 | 25,499 |
| US Dept of Justice | State Criminal Alien Assistance Program | 16.606 | 2011APBX008 3 | | 8,512 | 8,512 1,2 |
| US Dept of Justice | Bulletproof Vest Partnership Program | 16.607 | N/A | | 3,745 | 3,745 1,2 |
| US Dept of Justice/WA Assn Sheriffs & Police Chiefs | Public Safety Partnership and Community Policing Grants | 16.710 | WSMI 10104 | 17,536 | | 17,536 1,2 |
| US Dept of Justice/WA St Dept of Commerce/City of Aberdeen | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | M11-34021-001 | 19,756 | | 19,756 1,2 |
| US Dept of Justice/WA St Dept of Commerce/City of Aberdeen | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | M12-34021-001 | 24,978 | | 24,978 1,2 |
| US Dept of Justice/WA St Dept of Commerce/City of Aberdeen | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | M12-34021-001 | 28,040 | | 28,040 1,2 |
| Total CFDA 16.738 | | | | 72,774 | 0 | 72,774 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. | |
|---|------------------------------------|-------------|-------------------------|--------------------------|--------------------|------------------|-------|
| | | | | From Pass-Through Awards | From Direct Awards | | |
| | | | | Total Amount | | | |
| US Dept of Transportation/WA St Dept of Transportation | Highway Planning and Construction | 20.205 | LA-7202 | 283,276 | | 283,276 | 1,2 |
| US Dept of Transportation/WA St Dept of Transportation | Highway Planning and Construction | 20.205 | DTFH70-06-E-00018 | 14,516 | | 14,516 | 1,2 |
| US Dept of Transportation/WA St Dept of Transportation | Highway Planning and Construction | 20.205 | LA-7388 | 983,958 | | 983,958 | 1,2 |
| US Dept of Transportation/WA St Dept of Transportation | Highway Planning and Construction | 20.205 | LA-7835 | 3,663 | | 3,663 | 1,2 |
| US Dept of Transportation/WA St Dept of Transportation | Highway Planning and Construction | 20.205 | LA-5822 | 21,441 | | 21,441 | 1,2 |
| Total CFDA 20.205 | | | | 1,306,854 | 0 | 1,306,854 | |
| US Dept of Transportation | National Motor Carrier Safety | 20.218 | FM-MHP-0028-11-01-00 | | 8,459 | 8,459 | 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | Agreement 10/9/2012 | 494 | | 494 | 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | N/A | 178 | | 178 | 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | 2011ST | 42,466 | | 42,466 | 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | MOU | 17,099 | | 17,099 | 1,2,3 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|--|--|-------------|-------------------------|--------------------------|--------------------|----------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | MOU | 1,000 | | 1,000 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | N/A | 289 | | 289 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | State and Community Highway Safety | 20.600 | Agreement 10/21/2011 | 278 | | 278 1,2 |
| Total CFDA 20.600 | | | | 61,804 | 0 | 61,804 |
| US Dept of Transportation/WA St Traffic Safety Commission | Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | MOU | 618 | | 618 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | Occupant Protection Incentive Grants | 20.602 | N/A | 1,104 | | 1,104 1,2 |
| US Dept of Transportation/WA St Traffic Safety Commission | Occupant Protection Incentive Grants | 20.602 | MOU | 4,328 | | 4,328 1,2,3 |
| Total CFDA 20.602 | | | | 5,432 | 0 | 5,432 |
| US Dept of Transportation/WA St Traffic Safety Commission/Child Safety Restraint Coalition | Child Safety and Child Booster Seats Incentive Grants | 20.613 | K312-03 | 1,195 | | 1,195 1,2 |
| US Dept of Transportation/WA St Military Dept | Interagency Hazardous Materials Public Sector Training and planning grants | 20.703 | E12-163 | 4,665 | | 4,665 1,2 |
| Environmental Protection Agency/State of WA Dept of Health | Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | C16885 | 6,000 | | 6,000 1,2 |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. | |
|--|---|-------------|-------------------------|--------------------------|--------------------|----------------|--------------|
| | | | | From Pass-Through Awards | From Direct Awards | | Total Amount |
| Environmental Protection Agency/State of WA Dept of Health | Beach Monitoring and Notification Program | 66.472 | C16885 | 8,800 | | 8,800 | 1,2 |
| US Elections Assistance Commission/WA St Secretary of State/Elections Assist. Commission | Implementation Grants Help America Vote Act Requirements Payments | 90.401 | G-2839 Amend 6B | 4,268 | | 4,268 | 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Public Health Emergency Preparedness | 93.069 | C16885 | 86,216 | | 86,216 | 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | C16885 | 5,949 | | 5,949 | 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Injury Prevention and Control Research and State and Community Based Program | 93.136 | C16885 | 4,000 | | 4,000 | 1,2 |
| | Family Planning_Services | 93.217 | C16885 | 68,069 | | 68,069 | 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Grants to States to Support Oral Health Workforce | 93.236 | C16885 | 16,667 | | 16,667 | 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | IMMUNIZATION Cooperative Agreement | 93.268 | C16885 | 32,111 | | 32,111 | 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 | C16885 | 8,000 | | 8,000 | 1,2 |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|---|---|-------------|-------------------------|--------------------------|--------------------|----------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| | | | | Total Amount | | |
| US Dept of Health & Human Services/State of WA Dept of Health | Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 | C16885 | 1,212 | | 1,212 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 | C16885 | 22,991 | | 22,991 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 | C16885 | 6,000 | | 6,000 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Centers for Disease Control and Prevention_ Investigations and Technical Assistance | 93.283 | C16885 | 11,893 | | 11,893 1,2 |
| Total CFDA 93.283 | | | | 50,096 | 0 | 50,096 |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|---|--|-------------------|-------------------------|--------------------------|--------------------|----------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| US Dept of Health & Human Services/State of WA Dept of Health | Pregnancy Assistance Fund Program | 93.500 | C16885 | 89,808 | | 89,808 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Community Transformation Grants and National Dissemination and Support for Community Transformation Grants | 93.531 | C16885 | 314,847 | | 314,847 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Prevention and Public Health Fund (Affordable Care Act) | 93.539 | C16885 | 6,238 | | 6,238 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Prevention and Public Health Fund (Affordable Care Act) | 93.539 | C16885 | 928 | | 928 1,2 |
| | | Total CFDA | 93.539 | 7,166 | 0 | 7,166 |
| US Dept of Health & Human Services/State of WA Dept of Health | State, Nutrition, Physical Activity and Obesity Programs | 93.548 | C16885 | 5,000 | | 5,000 1,2 |
| US Dept of Health & Human Services/WA St Dept of Health | Child Support Enforcement | 93.563 | 2110-81159 | 226,724 | | 226,724 1,2 |
| US Dept of Health & Human Services/WA St Social & Health Services | Child Support Enforcement | 93.563 | 2110-81159 | 60,157 | | 60,157 1,2 |
| | | Total CFDA | 93.563 | 286,881 | 0 | 286,881 |
| US Dept of Health & Human Services/WA St Secretary of State/Elections Assist Commission | Voting Access for Individuals with Disabilities_Grants to States | 93.617 | G-12/010 | 14,314 | | 14,314 1,2 |
| US Dept of Health & Human Services/WA St Health Care Authority | Medical Assistance Program | 93.778 | 1166-33932 | 11,394 | | 11,394 1,2 |

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|---|--|-------------|-------------------------|--------------------------|--------------------|-----------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| | | | | Total Amount | | |
| US Dept of Health & Human Services/State of WA Dept of Health | National Bioterrorism Hospital Preparedness Program | 93.889 | C16885 | 4,200 | | 4,200 1,2 |
| US Dept of Health & Human Services/WA St Dept of Social & Health Services | Block Grants for Community Mental Health Services | 93.958 | 1169-35580 | 67,517 | | 67,517 1,2,3 |
| US Dept of Health & Human Services/WA St Dept of Social & Health Services | Block Grants for prevention and treatment of Substance Abuse | 93.959 | 1163-27303 | 144,538 | | 144,538 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 3,500 | | 3,500 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 20,629 | | 20,629 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 5,000 | | 5,000 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 3,630 | | 3,630 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 587 | | 587 1,2 |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 30,157 | | 30,157 1,2 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

| Federal Agency Name/Pass-Through Agency Name | Federal Program Name | CFDA Number | Other Award I.D. Number | Expenditures | | Foot Note Ref. |
|--|---|-------------|-------------------------|--------------------------|--------------------|------------------|
| | | | | From Pass-Through Awards | From Direct Awards | |
| US Dept of Health & Human Services/State of WA Dept of Health | Maternal and Child Health Services Block Grant to the States | 93.994 | C16885 | 31,947 | 31,947 | 1,2 |
| Total CFDA 93.994 | | | | 95,450 | 95,450 | |
| US Dept of Homeland Security/WA St Parks & Recreation Commission | Boating Safety Financial Assistance | 97.012 | LE000-015 | 18,306 | 18,306 | 1,2 |
| US Dept of Homeland Security/WA St Parks & Recreation Commission | Boating Safety Financial Assistance | 97.012 | 911-404 | 13,010 | 13,010 | 1,2 |
| Total CFDA 97.012 | | | | 31,316 | 31,316 | |
| US Dept of Homeland Security/WA St Military Dept | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | D12-003 | 4,645 | 4,645 | 1,2 |
| US Dept of Homeland Security/WA St Military Dept | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | D12-003 | 3,825 | 3,825 | 1,2 |
| US Dept of Homeland Security/WA St Military Dept | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | Disaster #4056/D12-003 | 1,293 | 1,293 | 1,2 |
| US Dept of Homeland Security/WA St Military Dept | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | D12-003 | 114,532 | 114,532 | 1,2 |
| Total CFDA 97.036 | | | | 124,295 | 124,295 | |
| US Dept of Homeland Security/WA St Military Dept | Homeland Security Grant Program | 97.067 | E11-279 | 51,390 | 51,390 | 1,2,3 |
| US Dept of Homeland Security/WA St Military Dept | Homeland Security Grant Program | 97.067 | E11-212 | 19,257 | 19,257 | 1,2,3 |
| Total CFDA 97.067 | | | | 70,647 | 70,647 | |
| Total Federal Awards Expended: | | | | 3,634,852 | 108,501 | 3,743,353 |

GRAYS HARBOR COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the County's financial statements. The County uses the cash basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the County's portion, may be more than shown.

NOTE 3 – AMOUNTS AWARDED TO SUBRECIPIENTS

The total amount expended for these programs was passed through to subrecipients that administered their own projects, except as follows:

- (a) \$6,830 was passed through to subrecipients.
- (b) \$1,272 was passed through to subrecipients.
- (c) \$26,291 was passed through to subrecipients.
- (d) \$65,134 was passed through to subrecipients.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

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

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

State Auditor
Chief of Staff
Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of Quality Assurance
Deputy Director of Communications
Local Government Liaison
Public Records Officer
Main number
Toll-free Citizen Hotline

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