



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Timberlands Regional Support Network

Wahkiakum County

For the period July 1, 2011 through June 30, 2014

Published June 29, 2015

Report No. 1014443





Washington State Auditor's Office

June 29, 2015

Board of Appointed Representatives
Timberlands Regional Support Network
Cathlamet, Washington

Report on Financial Statements

Please find attached our report on the Timberlands Regional Support Network's financial statements.

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

Sincerely,

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

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**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**

**Timberlands Regional Support Network
Wahkiakum County
July 1, 2011 through June 30, 2014**

Board of Appointed Representatives
Timberlands Regional Support Network
Cathlamet, 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 the Timberlands Regional Support Network, Wahkiakum County, Washington, as of and for the years ended June 30, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Network's financial statements, and have issued our report thereon dated June 1, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Network'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

Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network'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 Network'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 Network's financial statements are free from material misstatement, we performed tests of the Network'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 Network'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 Network's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

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

June 1, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Timberlands Regional Support Network Wahkiakum County July 1, 2011 through June 30, 2014

Board of Appointed Representatives
Timberlands Regional Support Network
Cathlamet, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Timberlands Regional Support Network, Wahkiakum County, Washington, for the years ended June 30, 2014, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Network's financial statements, as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Network'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 Network's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Timberlands Regional Support Network has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Timberlands Regional Support Network, for the years ended June 30, 2014, 2013 and 2012, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Timberlands Regional Support Network, as of June 30, 2014, 2013 and 2012, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015 on our consideration of the Network’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 Network's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is written in a cursive style with a long horizontal flourish extending to the right.

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

June 1, 2015

FINANCIAL SECTION

Timberlands Regional Support Network Wahkiakum County July 1, 2011 through June 30, 2014

FINANCIAL STATEMENTS

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**Timberlands Regional Support Network
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2014**

		<u>001 General Fund</u>
Beginning Cash and Investments		
30810	Reserved	4,285,792
30880	Unreserved	460,771
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
330	Intergovernmental Revenues	10,654,209
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	19,034
Total Operating Revenues:		<u>10,673,243</u>
Operating Expenditures		
550	Natural and Economic Environment	-
560	Social Services	9,773,233
Total Operating Expenditures:		<u>9,773,233</u>
Net Operating Increase (Decrease):		900,010
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	2,910
391-393	Debt Proceeds	-
Total Nonoperating Revenues:		<u>2,910</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	-
Total Nonoperating Expenditures:		<u>-</u>
Net Increase (Decrease) in Cash and Investments:		902,920
Ending Cash and Investments		
50810	Reserved	5,080,865
50880	Unreserved	568,518

The accompanying notes are an integral part of this statement.

Timberlands Regional Support Network
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2013

		<u>001 General Fund</u>
Beginning Cash and Investments		
30810	Reserved	3,912,830
30880	Unreserved	459,779
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
330	Intergovernmental Revenues	9,569,285
340	Charges for Goods and Services	-
350	Fines & Penalties	-
360	Miscellaneous Revenues	13,390
Total Operating Revenues:		<u>9,582,675</u>
Operating Expenditures		
550	Natural and Economic Environment	-
560	Social Services	9,211,457
Total Operating Expenditures:		<u>9,211,457</u>
Net Operating Increase (Decrease):		371,218
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	2,736
391-393	Debt Proceeds	-
Total Nonoperating Revenues:		<u>2,736</u>
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	-
Total Nonoperating Expenditures:		<u>-</u>
Net Increase (Decrease) in Cash and Investments:		373,954
Ending Cash and Investments		
50810	Reserved	4,285,792
50880	Unreserved	460,771

The accompanying notes are an integral part of this statement.

**Timberlands Regional Support Network
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended June 30, 2012**

		001 General Fund
Beginning Cash and Investments		
30810	Reserved	2,435,916
30880	Unreserved	1,086,624
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
330	Intergovernmental Revenues	9,491,984
340	Charges for Goods and Services	-
350	Fines & Penalties	-
360	Miscellaneous Revenues	8,023
Total Operating Revenues:		9,500,007
Operating Expenditures		
550	Economic Environment	-
560	Mental & Physical Health	8,654,767
598	Intergovernmental Payments	-
Total Operating Expenditures:		8,654,767
Net Operating Increase (Decrease):		845,240
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	4,830
391-393	Debt Proceeds	-
Total Nonoperating Revenues:		4,830
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	-
Total Nonoperating Expenditures:		-
Net Increase (Decrease) in Cash and Investments:		850,070
Ending Cash and Investments		
50810	Reserved	3,912,830
50880	Unreserved	459,779

The accompanying notes are an integral part of this statement.

TIMBERLANDS REGIONAL SUPPORT NETWORK
NOTE TO FINANCIAL STATEMENTS
JULY 1, 2011 TO JUNE 30, 2014

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Timberlands Regional Support Network reports financial activity using the revenue and expenditures classifications statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting (BARS) manual and Supplementary Instructions published by the Department of Social and Health Services for Mental Health Programs. 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.

Timberlands Regional Support Network is a governmental agency providing a variety of mental health services to a three county region. State Senate Bill 5400, regionalizing mental health services in Washington State was passed and signed into law in May, 1989. This bill allowed geographical areas to jointly provide mental health services to the combined populations. On June 30, 1995, an Interlocal Agreement was approved by Lewis, Pacific and Wahkiakum Counties creating the Timberlands Regional Support Network. In October of 1995, the State Legislature provided funding for the Timberlands Regional Support Network to begin operations on October 1, 1995. TRSN first had financial activity in November of 1995. The Timberlands Regional Support Network uses single-entry, cash basis accounting which is a departure from general accepted accounting principles (GAAP)

a. Basis of Presentation – Fund Accounting

The accounts of the Timberlands Regional Support are organized on the basis of Governmental 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. Timberlands Regional Support Network principally utilizes the General (Current Expense) Fund. It accounts for all financial resources except those required or elected to be accounted for in another fund.

b. Basis of Accounting

Timberlands Regional Support Network (TRSN) 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. In accordance with state law the TRSN also recognizes expenditures paid up to twenty days after the close of the fiscal year for claims incurred during the previous period. Purchases of capital assets are expensed during the year acquired. 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

Annual or biennial appropriated budgets are adopted on or before July 1, of each reporting period by the TRSN Governing Board. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year end.

Budgetary accounts are integrated in fund journal and ledgers as appropriate for all funds. Revenue and expenditure ledgers are used to compare the budgeted amounts against the actual revenues and expenditures as they occur. The budgets constitute the legal authority for expenditures at the fund level as a whole. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated and actual expenditures for the legally adopted budgets were as follow:

BARS CODE		Biennial Budget 07/01/11 – 06/30/13	Fund Number And Name 001 Current Expense	
			07/01/11 – 06/30/13 Actuals	Variance
Operating Expenditures:				
560	Mental and Physical Health	19,438,589	17,858,293	(1,580,296)
570	Culture and Recreational			
580	Sect 125 Paid Qualified Expenses		7,931	7,931
Operating Expenditures		19,438,589	17,866,224	(1,572,365)
580	Nonexpenditures (Except 584)			0
Total Operating Expenditures		19,438,589	17,866,224	(1,572,365)

BARS CODE		Biennial Budget 07/01/13 - 06/30/15	Fund Number And Name 001 Current Expense	
			50% of Biennial Budget	07/01/13-06/30/14 Actuals
Operating Expenditures:				
560	Mental and Physical Health	\$ 21,007,620	10,503,810	9,771,654
570	Culture and Recreational			
580	Sect 125 Paid Qualified Expenses			1,579
Operating Expenditures		21,007,620	10,503,810	9,773,233
580	Nonexpenditures (Except 584)			-
Total Operating Expenses		\$ 21,007,620	10,503,810	9,773,233

The TRSN Administrator is authorized to change the budget, transfer budgeted amounts between object classes; however, any revision that alter the total expenditures of a fund, or that affect appropriation units of salaries and wages, personnel benefits or capital outlay as well as revisions that create new salaried positions, revisions that establish new programs, revisions that delete ongoing programs, revisions that alter the total expenditures of the budget must be approved by the Timberlands Regional Support Network Governing Board. TRSN's contracts with DSHS require that Risk and Inpatient Reserves are set aside and maintained in the event costs providing mental health services exceed revenues. The levels of reserves are dictated by a contractual stipulated percent of prorated or budgeted annual revenues and therefore change per reporting period. In addition, Reserves Funds above, include contract allowed Operating Reserve and Encumbered Reserves which were used to supplement revenues in meeting budgeted expenditures.

Intergovernmental Fee for Service represents DSHS Medicaid client payments. The actual amount was higher than budgeted as a result of larger numbers of Medicaid Enrolled clients coming into the system as a result of the poor economy and cuts to state funding which incentivized Non-Medicaid Clients to enroll in the Medicaid system as part of the federal Healthcare Reform and the state Medicaid Expansion Program.

Decreases in Expenditures are largely due to DSHS related problems billing for hospital expenses incurred by TRSN clients but not billed and delayed special project implementation.

d. **Cash**

It is the policy of Timberland Regional Support Network to invest all reasonable temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. TRSN utilizes Wahkiakum County Treasurer to invest cash surpluses.

e. **Deposits**

The Timberlands RSN utilizes Wahkiakum County Treasurer to deposit funds. The county maintains deposit relationships with local commercial banks and savings and loan banks. Wahkiakum County Treasury deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission.

f. **Investments**

The Wahkiakum County Treasurer is the custodian for all RSN investments. All deposits and investments of RSN funds are obligations of the U.S. Government, the State Treasurer's Investment Pool, or deposits with Washington State banks and savings and loan institutions pursuant to the requirements of Washington State law and Chapter 39.58 RCW (Please See Note #3).

g. **Derivatives and Similar Transactions**

TRSN has not used, held or sold derivatives or similar instruments.

h. **Capital Assets**

Capital assets are long-lived assets of the TRSN and are recorded as expenditures when purchased.

i. **Compensated Absences**

Vacation leave may be accumulated up to 240 hours and is payable upon separation, appointment to an elected position or retirement.

Sick Leave may be accumulated as follows: 8 hour employees up to 1200 hours. Upon separation or retirement employees do not receive payment for unused sick leave. **(Please See Note #6)**

j. **Long-Term Debt - (Please See Note #6)**

k. **Other Financing Sources Or Uses**

Other Financing Sources represent amounts from interest earnings.

l. **Risk Management**

TRSN has purchased commercial coverage with Enduris Washington for Comprehensive General Liability. Limits include General Liability - \$10,000,000, Professional Coverage - \$10,000,000, and Personal Injury - \$10,000,000

Financial Note to Enduris Member Financial Statements

TRSN is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of

Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides “per occurrence” based policies for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss; \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

m. Reserved Fund Balance

TRSN’s contracts with DSHS require that Risk and Inpatient Reserves are set aside and maintained in the event costs providing mental health services exceed revenues. The levels of reserves are dictated by a contractual stipulated percent of prorated or budgeted annual revenues and therefore change per reporting period. In addition, DSHS contract allows TRSN a limited amount of Operating Reserve and Encumbered Reserves, where appropriate, which are used to supplement revenues in meeting budgeted expenditures. Encumber Funds ending June 30, 2014 are a result of TRSN client hospital cost not billed by DSHS. DSHS began a new billing process and to date have issues with the hospital billing portion of the new system. Encumbered Reserves also represent funds budgeted and funds designated for long term debt defined in Note 6 below.

Reserve Balances	Reserves Balance as of June 30, 2012	Reserve Balance as of June 30, 2013	Reserve Balance as of June 30, 2014
Risk & Inpatient Reserves	\$1,305,257	\$ 1,318,848	\$ 1,705,521
Inpatient Reserve	41,884	42,153	38,737
Reserve for Encumbrances	2,563,681	2,922,164	3,332,648
Section 125 Funds	2,008	2,627	3,959
Total Reserves	\$ 3,912,830	4,285,792	\$ 5,080,865

Amounts of Total Resources as of June 30, 2014 may not equal those amounts from treasury and bank account due to checks submitted to Treasury not included in Treasury Report. Management believes that such reconciled amounts, if any, will be immaterial.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There are no known or pending material violations of finance related legal or contractual provision.

The RSN participates in certain federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

NOTE 3 - INVESTMENT

The TRSN cash and equivalents and investments are:

	June 30, 2012	June 30, 2013	June 30, 2014
Cash and equivalents	\$ 7,210	\$ 7,063	\$ 13,982
Investments	\$ 4,365,400	\$ 4,739,500	\$ 5,635,500
Total cash, equivalents & investments	\$ 4,372,610	\$ 4,746,563	\$ 5,649,482

Statutes authorize Wahkiakum County, acting as an agent of the TRSN, to invest in obligations of the U. S. Treasury and its instrumentalities, banker's acceptances issued in the secondary market, primary certificates of deposit issued by Washington State qualified public depositories as defined under Chapter 39.58 of the Revised Code of Washington and the State Treasurers investment pool.

Investments held are disclosed in the following:

Investment in State Treasurer's investment pool	June 30, 2012	\$ 4,365,400
Investment in State Treasurer's investment pool	June 30, 2013	\$ 4,739,500
Investment in State Treasurer's investment pool	June 30, 2014	\$ 5,635,500

NOTE 4 – PROPERTY TAXES

The Timberlands RSN does not collect any property tax revenue.

NOTE 5 – INTERFUND LOANS AND AVANCES

The Timberlands RSN has no Interfund loans or advances.

NOTE 6 – LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of TRSN and summarizes TRSN debt transactions for (fiscal year being reported). The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

Compensated absences	\$ 22,713
Loans and other payments to other governments	\$ 10,527

Compensated absences represent amounts owed to employees for accrued vacation as of 6/30/2014.

DSHS provides working capital advances to counties and cities in conjunction with DSHS programs such as Mental Health. These advances are intended for working capital or a cash float. Timberland RSN has received \$10,527 from DSHS for this purpose.

NOTE 7 – PENSION PLANS

Substantially all TRSN full-time and qualifying part-time employees participate in PERS II or PERS III plans. These plans are administered by the Washington State Department of Retirement Systems, under a 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 TRSN’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

Historical trend information 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

OTHER DISCLOSURES

Related Party Transaction

On June 30, 1995, and ending July 2009 an Interlocal Agreement was approved by Lewis, Pacific and Wahkiakum Counties creating the Timberlands Regional Support Network. As part of the Interlocal agreement TRSN also utilizes Wahkiakum County Treasury for cash and investment handling. Each participating county of Interlocal assigns a representative to be a member of TRSN governing board. TRSN also has funding contracts with Wahkiakum County’s Mental Health Department.

**Timberlands Regional Support Network
Schedule of Liabilities
For the Year Ended June 30, 2014**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
259.11	Compensated Absences		18,487	4,226	-	22,713
263.81	Loans and Other Payments to other Governments		10,527	-	-	10,527
	Total General Obligations:		<u>29,014</u>	<u>-</u>	<u>0</u>	<u>33,240</u>
	Total Liabilities:		<u>29,014</u>	<u>-</u>	<u>0</u>	<u>33,240</u>

**Timberlands Regional Support Network
Schedule of Liabilities
For the Year Ended June 30, 2013**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		25,218		6,731	18,487
263.81	Loans and Other Payments to other Governments		14,833	-	4,306	10,527
	Total General Obligations:		40,051	-	11,037	29,014
	Total Liabilities:		40,051	-	11,037	29,014

**Timberlands Regional Support Network
Schedule of Liabilities
For the Year Ended June 30, 2012**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
259.11	Compensated Absences		21,302	3,916	-	25,218
263.81	Loans and Other Payments to other Governments		14,833	-	-	14,833
	Total General Obligations:		36,135	3,916	-	40,051
	Total Liabilities:		36,135	3,916	-	40,051

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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