



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements and Federal Single Audit  
Report**

**San Juan County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 15, 2014**

**Report No. 1012542**





**Washington State Auditor**  
**Troy Kelley**

September 15, 2014

Council  
San Juan County  
Friday Harbor, Washington

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

Please find attached our report on San Juan 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

# Table of Contents

## **San Juan County** **January 1, 2013 through December 31, 2013**

Federal Summary .....	1
Schedule Of Prior Federal Audit Findings.....	3
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 .....	4
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	6
Independent Auditor's Report On Financial Statements .....	9
Financial Section.....	12

# Federal Summary

## San Juan County January 1, 2013 through December 31, 2013

The results of our audit of San Juan 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
66.120	Puget Sound Watershed Management

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

The County did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Prior Federal Audit Findings

## San Juan County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of San Juan County. The State Auditor's Office has reviewed the status as presented by the County.

<b>Audit Period:</b> 1/1/2012-12/31/2012	<b>Report Reference No:</b> 1010575	<b>Finding Reference No:</b> 1	<b>CFDA Number(s):</b> 93.778
<b>Federal Program Name and Granting Agency:</b> Medicaid Assistance Program (Medicaid), U.S. Department of Health and Human Services		<b>Pass-Through Agency Name:</b> Health Care Authority	
<b>Finding Caption:</b> The County's internal controls were inadequate to ensure compliance with requirements for its Medicaid Administrative Match grant.			
<b>Background:</b> The fiscal year 2012 audit found the County was funded for unallowable costs that included portions of payroll funded by another federal program and nonpayroll costs such as travel, training and supplies that did not directly benefit the program. In addition, the County did not comply with the matching requirement as federal funds claimed were not an allowable type of matching funds.			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>The San Juan County Health Department has consulted and continues to consult with Hansine Fisher and Associates over the Washington State Auditor's findings. The corrected A-19's for the last two quarters of 2011 and the first two quarters of 2012 have been submitted. As of June 2, 2014 the Washington Health Care Authority has zeroed out what we owed. (That is, any overpayments have been withheld from subsequent payments.)</i>  <i>We have included the entire San Juan County Health and Community Services Department in calculating out the A-19's as the consultant had suggested. We are continuing to consult with Hansine Fisher and Associates as changes are made to the grant.</i>			

# **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***

**San Juan County  
January 1, 2013 through December 31, 2013**

Council  
San Juan County  
Friday Harbor, 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 San Juan County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated August 19, 2014.

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

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

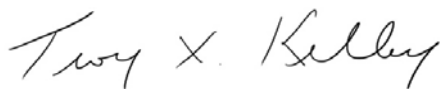
## ***COMPLIANCE AND OTHER MATTERS***

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

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

## ***PURPOSE OF THIS REPORT***

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



**TROY KELLEY**  
STATE AUDITOR

August 19, 2014



# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**San Juan County  
January 1, 2013 through December 31, 2013**

Council  
San Juan County  
Friday Harbor, Washington

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

We have audited the compliance of San Juan 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, 2013. 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, 2013.

### ***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.

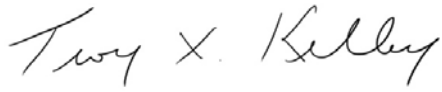
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

August 19, 2014

# **Independent Auditor's Report on Financial Statements**

**San Juan County**  
**January 1, 2013 through December 31, 2013**

Council  
San Juan County  
Friday Harbor, Washington

## ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of San Juan County, Washington, for the year ended December 31, 2013, 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 financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, San Juan County has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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 San Juan County, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

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

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

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

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of San Juan County, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***

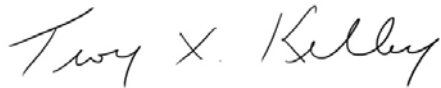
#### ***Supplementary and Other Information***

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

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



**TROY KELLEY**  
STATE AUDITOR

August 19, 2014

## **Financial Section**

**San Juan County**  
**January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

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

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General Fund	102 SJC Conservation Area Fund	104 SJC Noxious Weed Control
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	15,998,231	659,179	5,589,400	121,610
30880	Beg Fund Bal-Unreserved	2,251,845	2,129,771	0	0
38800/58800	Prior Period Adjustments, net	25,343	25,343	0	0
<b>Operating Revenues</b>					
310	Taxes	18,871,452	10,485,532	1,950,200	0
320	Licenses & Permits	1,056,741	997,155	0	0
330	Intergovernmental Revenues	10,142,132	3,596,647	265,073	0
340	Charges for Goods and Services	5,169,475	1,713,263	5,600	0
350	Fines & Penalties	290,585	287,589	0	0
360	Miscellaneous Revenues	2,911,275	479,853	61,529	145,161
<b>Total Operating Revenues:</b>		<b>38,441,660</b>	<b>17,560,039</b>	<b>2,282,402</b>	<b>145,161</b>
<b>Operating Expenditures</b>					
510	General Government	7,329,413	6,492,469	0	0
520	Public Safety	4,530,579	4,530,579	0	0
530	Utilities	2,131,862	66,998	0	0
540	Transportation	6,031,812	0	0	0
550	Natural and Economic Environment	2,949,759	1,984,417	0	79,663
560	Social Services	3,851,475	3,041,340	0	0
570	Culture And Recreation	1,994,779	192,107	705,037	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>28,819,679</b>	<b>16,307,910</b>	<b>705,037</b>	<b>79,663</b>
<b>Net Operating Increase (Decrease):</b>		<b>9,621,981</b>	<b>1,252,129</b>	<b>1,577,365</b>	<b>65,498</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	239,444	51,034	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	3,169,993	219,208	0	0
<b>Total Nonoperating Revenues:</b>		<b>3,409,437</b>	<b>270,242</b>		
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	62,284	9,641	0	0
591-593	Debt Service	2,014,209	16,347	905,819	0
594-595	Capital Expenditures	5,254,301	400,324	34,992	0
597	Transfers-Out	3,175,699	586,024	90,786	447
<b>Total Nonoperating Expenditures:</b>		<b>10,506,493</b>	<b>1,012,336</b>	<b>1,031,597</b>	<b>447</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>2,524,925</b>	<b>510,035</b>	<b>545,768</b>	<b>65,051</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	18,012,097	725,337	6,135,170	186,661
50880	End Fund Balance-Unreserved	2,788,251	2,598,990	0	0

The accompanying notes are an integral part of this Statement.



BARS Code		109 San Juan County Parks	110 Treasurer's Operation & Maintenance	111 Dog License	112 County Roads
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	488,369	15,922	5,000	778,536
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	4,213	0	0	3,565,785
320	Licenses & Permits	0	0	21,199	38,387
330	Intergovernmental Revenues	78,236	0	0	5,698,324
340	Charges for Goods and Services	173,926	15,445	0	133,212
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	380,879	0	0	45,803
<b>Total Operating Revenues:</b>		<b>637,254</b>	<b>15,445</b>	<b>21,199</b>	<b>9,481,511</b>
<b>Operating Expenditures</b>					
510	General Government	0	2,179	0	98,563
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	5,030,588
550	Natural and Economic Environment	0	0	18,503	0
560	Social Services	0	0	0	0
570	Culture And Recreation	1,092,885	0	0	0
598	Intergovernmental Payments	0	0	0	0
<b>Total Operating Expenditures:</b>		<b>1,092,885</b>	<b>2,179</b>	<b>18,503</b>	<b>5,129,151</b>
<b>Net Operating Increase (Decrease):</b>		<b>-455,631</b>	<b>13,266</b>	<b>2,696</b>	<b>4,352,360</b>
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	25,897	0	0	1,137
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	597,604	0	0	32,000
<b>Total Nonoperating Revenues:</b>		<b>623,501</b>			<b>33,137</b>
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	25,897	0	0	0
591-593	Debt Service	0	0	0	393,374
594-595	Capital Expenditures	378,583	0	0	3,735,249
597	Transfers-Out	106,485	0	0	44,202
<b>Total Nonoperating Expenditures:</b>		<b>510,965</b>			<b>4,172,825</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>-343,095</b>	<b>13,266</b>	<b>2,696</b>	<b>212,672</b>
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	145,275	29,187	7,696	991,211
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		121 Multipurpose Facilities Fund	122 Lodging Tax Fund	125 Auditor Document Preservation	127 Crime Victims
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	210,452	182,291	323,972	20,993
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	988,218	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	52,982	0
340	Charges for Goods and Services	0	0	18,333	4,490
350	Fines & Penalties	0	0	0	2,996
360	Miscellaneous Revenues	0	0	190	0
Total Operating Revenues:			988,218	71,505	7,486
Operating Expenditures					
510	General Government	0	0	101,217	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	571,382	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	4,750	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			571,382	105,967	
Net Operating Increase (Decrease):		0	416,836	-34,462	7,486
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	210,452	0	0
Total Nonoperating Revenues:			210,452		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	0	311	0
597	Transfers-Out	210,452	180,500	1,326	18,875
Total Nonoperating Expenditures:		210,452	180,500	1,637	18,875
Increase (Decrease) in Cash and Investments		-210,452	446,788	-36,099	-11,389
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	629,079	287,873	9,603
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		128 Mental Health Tax Fund	192 Septic Housing & Loans	195 Public Facilities Improvement Receiving	196 Affordable Housing Fund
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	650,998	256,066	814,923	234,805
30880	Beg Fund Bal-Unreserved	0	0	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	399,879	0	363,177	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	51,691	0	20,434
340	Charges for Goods and Services	366,584	100	0	173,877
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	0	4,257	628	3,929
Total Operating Revenues:		766,463	56,048	363,805	198,240
<b>Operating Expenditures</b>					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	52,417	235,034	8,343
560	Social Services	632,272	0	0	177,863
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		632,272	52,417	235,034	186,206
Net Operating Increase (Decrease):		134,191	3,631	128,771	12,034
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	58,779	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	0	0	0
Total Nonoperating Revenues:			58,779		
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	103,656	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	0	0	87,775	170
Total Nonoperating Expenditures:			103,656	87,775	170
Increase (Decrease) in Cash and Investments		134,191	-41,246	40,996	11,864
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	785,190	214,820	855,919	246,668
50880	End Fund Balance-Unreserved	0	0	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		197 Criminal Justice Receiving Fund	200 Bond Redemption Fund	306 Capital Improvement Fund	401 Solid Waste Fund
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	107,915	0	952,746	932,700
30880	Beg Fund Bal-Unreserved	0	64,085	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	769,470	344,978
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	184,641	0	5,783	73,955
340	Charges for Goods and Services	0	0	0	1,677,628
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	23	106	1,355	32,432
Total Operating Revenues:		184,664	106	776,608	2,128,993
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	1,774,964
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					1,774,964
Net Operating Increase (Decrease):		184,664	106	776,608	354,029
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	30,790
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	1,748,527	300,000	0
Total Nonoperating Revenues:			1,748,527	300,000	30,790
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	26,746
591-593	Debt Service	0	365,856	0	114,409
594-595	Capital Expenditures	0	0	60,775	3,465
597	Transfers-Out	169,790	1,413,940	253,037	3,157
Total Nonoperating Expenditures:		169,790	1,779,796	313,812	147,777
Increase (Decrease) in Cash and Investments		14,874	-31,163	762,796	237,042
Ending Cash and Investments					
50810	End Fund Bal-Reserved	122,789	0	1,715,541	1,169,746
50880	End Fund Balance-Unreserved	0	32,923	0	0

The accompanying notes are an integral part of this Statement.

BARS Code		415 Stormwater Utility Fund	501 Equipment Rental & Revolving	502 Information Technology
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	683,354	2,969,000	0
30880	Beg Fund Bal-Unreserved	0	0	57,989
38800/58800	Prior Period Adjustments, net	0	0	0
<b>Operating Revenues</b>				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	114,366	0	0
340	Charges for Goods and Services	0	171,277	715,740
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	414,294	1,305,242	35,594
<b>Total Operating Revenues:</b>		<b>528,660</b>	<b>1,476,519</b>	<b>751,334</b>
<b>Operating Expenditures</b>				
510	General Government	0	0	634,985
520	Public Safety	0	0	0
530	Utilities	289,900	0	0
540	Transportation	0	1,001,224	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
<b>Total Operating Expenditures:</b>		<b>289,900</b>	<b>1,001,224</b>	<b>634,985</b>
<b>Net Operating Increase (Decrease):</b>		<b>238,760</b>	<b>475,295</b>	<b>116,349</b>
<b>Nonoperating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	0	71,807	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	18,000	44,202	0
<b>Total Nonoperating Revenues:</b>		<b>18,000</b>	<b>116,009</b>	
<b>Nonoperating Expenditures</b>				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	114,748	0
594-595	Capital Expenditures	100,398	523,072	17,132
597	Transfers-Out	598	7,267	868
<b>Total Nonoperating Expenditures:</b>		<b>100,996</b>	<b>645,087</b>	<b>18,000</b>
<b>Increase (Decrease) in Cash and Investments</b>		<b>155,764</b>	<b>-53,783</b>	<b>98,349</b>
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	839,116	2,915,216	0
50880	End Fund Balance-Unreserved	0	0	156,338

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	601 Treasurer's Trust	602 County Road Retainage	611 Section 125
308	Beginning Cash and Investments	1,159,387	267,553	14,809	222,394
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	0	0	0
380-390	Other Increases and Financing Sources	23,281,842	1,263,134	464	680,819
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	22,518,554	175,537	8,713	886,946
Increase (Decrease) in Cash and Investments		763,288	1,087,597	-8,249	-206,127
508	Ending Cash and Investments	1,922,675	1,355,150	6,560	16,267

BARS Code		621 District and Superior Court	680 State & Local Distribution	691 Tax Overpaid Suspense	692 Advanced Taxes
308	Beginning Cash and Investments	81,698	549,238	5,146	18,549
388 and 588	Prior Period Adjustments, net	0	0	0	0
310-360	Revenues	0	0	0	0
380-390	Other Increases and Financing Sources	777,530	20,423,000	132,664	4,231
510-570	Expenditures	0	0	0	0
580-590	Other Decreases and Financing Uses	772,338	20,539,235	117,034	18,751
Increase (Decrease) in Cash and Investments		5,192	-116,235	15,630	-14,520
508	Ending Cash and Investments	86,890	433,003	20,776	4,029

The accompanying notes are an integral part of this Statement.

SAN JUAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDING DECEMBER 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Juan 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 an “other 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.

San Juan County was organized from Whatcom County in 1873 and operates under the laws of the State of Washington applicable to a home rule charter county. In 2005 the County adopted a Home Rule Charter type of government, governed by a six-member Council and administered by a County Administrator. In 2012 significant amendments to that home rule charter were adopted, including a return from 6 to 3 legislative body members and the replacement of the County Administrator with a County Manager. A significant activity in 2013 was spring elections of Council members to fill the three new Council positions.

The county is a general purpose government and provides law enforcement; emergency planning; district, juvenile, and superior court services; community planning; building permitting and inspection; public health and community services; parks and fair operation and maintenance; road construction and maintenance; solid waste disposal; stormwater utility construction and maintenance; and general administrative services. In addition, through the County Treasurer and County Auditor, the County is the fiscal agent for twenty-four (24) school and special purpose districts. 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.

Five other funds of the County are managerial funds of the Current Expense Fund, and are rolled up with the general fund for reporting purposes. For each of those funds, special revenue must represent less than 20% of total revenues (excluding transfers) on a regular basis.

### Special Revenue Funds

These funds account for revenues that are restricted or committed to expenditures for specified purposes of the County. In each special revenue fund, restricted or committed resources must represent more than 20% of total revenues (excluding transfers) on a regular basis.

### 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. San Juan County has one debt service fund.

### 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. San Juan County has one capital project fund, other than capital project funds associated with Enterprise Funds.

## 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. San Juan County has two Enterprise Funds (Solid Waste and Stormwater Utility), each with an associated Capital Projects Fund.

### 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. San Juan County has two internal service funds (Equipment Rental & Revolving and Information Technology).

## FIDUCIARY FUND TYPES

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

### Agency Funds

These funds are used to account for assets that the 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.



In accordance with state law (RCW 36.40.200), the County has historically recognized expenditures paid during the thirty-one days following the close of the fiscal year, for claims incurred during the previous period. In fiscal year 2011, the County shortened that extra time to 21 days, and in fiscal year 2012, we shortened it again to 15 days. Our plan is to continue with a 15-day “13<sup>th</sup> month” in the future.

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

San Juan County adopts annual appropriated budgets for all funds except fiduciary funds. These budgets are appropriated at the fund 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 for 2013 were as follows:

<b>Fund #</b>	<b>Fund Name</b>	<b>Final Appropriated Amounts</b>	<b>Actual Expenditures</b>	<b>Variance</b>
001	County Current - General	15,476,387	14,872,553	-603,834
002	Current Expense Grants Clearing	3,602,899	3,147,359	-455,540
003	Budget Stabilization Fund	373,200	0	-373,200
004	Veterans' Assistance Fund	70,782	55,538	-15,244
005	Insurance Cumulative Reserve	194,654	9,863	-184,791
007	Emergency Management	86,962	86,947	-15
102	SJC Conservation Area Fund	1,881,759	1,705,221	-176,538
103	Land Bank Stewardship & Mgt*	503,229	506,413	3,184
104	SJC Noxious Weed Control	260,610	80,111	-180,499
109	San Juan County Parks	1,819,931	1,603,849	-216,082
110	Treasurer's Operation & Maintenance	22,422	2,180	-20,242
111	Dog License	25,350	18,503	-6,847
112	County Roads	11,840,401	9,301,972	-2,538,429
122	Lodging Tax Fund	1,192,743	962,334	-230,409
125	Auditor Document Preservation	385,122	107,605	-277,517
127	Crime Victims	32,643	18,875	-13,768
128	Mental Health Tax Fund	1,423,498	632,271	-791,227
192	Septic Housing & Loans	723,866	156,073	-567,793
195	Public Facilities Improvement Rec'g	1,155,623	322,809	-832,814
196	Affordable Housing Fund	418,905	186,377	-232,528
197	Criminal Justice Receiving Fund	264,440	169,790	-94,650
200	Bond Redemption Fund	3,044,290	1,779,794	-1,264,496
306	Capital Improvement Fund	1,983,996	313,812	-1,670,184
401	Solid Waste Fund	2,293,141	1,709,830	-583,311
401	Solid Waste Projects Fund	722,303	212,909	-509,394
415	Stormwater Utility Fund	1,160,971	290,498	-870,473
415	Stormwater Utility Capital Projects	527,415	100,398	-427,017
501	Equipment Rental & Revolving	4,795,953	1,646,312	-3,149,641
502	Information Technology	747,778	652,985	-94,793
	<b>Grand Total</b>	<b>57,031,273</b>	<b>40,653,182</b>	<b>-16,378,091</b>

\*Fund 103 is a management fund of Fund 102

Budgeted amounts may be authorized to be transferred between departments by the County Manager; 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 Council.

The table below shows funds that had significant changes to appropriations during 2013, and the major reasons for those changes. Because San Juan County's adopted budget includes beginning and ending cash, some large changes reflect merely corrections of projected beginning cash. Adjustments solely because of beginning cash are not included here.

<b>Fund #</b>	<b>Fund Name</b>	<b>Original Appropriated Amounts</b>	<b>Final Appropriated Amounts</b>	<b>Change in Approps</b>	<b>% Change in Budget Approps</b>	<b>Reason for Change</b>
001	County Current - General	14,902,720	15,476,387	573,667	3.85%	Increased ending cash; transferred most of it to other funds.
002	Current Expense Grants Clearing	2,681,252	3,602,899	921,647	34.37%	Added beginning/ending cash to budget.
003	Budget Stabilization Fund	173,200	373,200	200,000	115.47%	Increased transfers-in, because of increased ending cash in general fund.
004	Veterans' Assistance Fund	90,000	70,782	-19,218	-21.35%	Decrease in property valuation resulted in decreased levy amount.
306	Capital Improvement Fund	1,613,543	1,983,996	370,453	22.96%	Increased beginning cash (\$170,453); increased transfer from general fund (\$200,000).
401	Solid Waste Fund	1,279,678	2,293,141	1,013,463	79.20%	Operations continued beyond anticipated close date of May 2013.
502	Information Technology	625,789	747,778	121,989	19.49%	Fund took over GIS, which had been in County Roads.

#### **D. Cash**

It is the County's policy to invest all temporary cash surpluses. The amounts invested are included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. Unless otherwise directed by the fund manager, by statute, or by local code, the interest on these investments is posted to the general (current expense) fund, per RCW 36.29.020, which gives the Treasurer the authority to invest residual cash from all moneys in her custody or control "which are not required for immediate expenditure."

#### **E. Deposits**

The County 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 2 – INVESTMENTS.**

#### **G. Capital Assets**

Capital assets are assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. The capital assets of the County are recorded as expenditures when purchased.

## H. Compensated Absences

### Elected Officials:

San Juan County elected officials do not accrue sick time or vacation benefits and are not required to track work hours.

### Unrepresented Employees and Members of AFSCME Local 1849:

Vacation leave may be accumulated up to two (2) years' worth of accrual for AFSCME Local 1849 members or 240 hours for unrepresented employees and is payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees receive payment for 25% of unused sick leave to a maximum of fifteen days.

### Sheriff's Guild members:

The rules are more complicated for Sheriff's Guild members. They are:

## **ARTICLE 10 – VACATION**

### **Section 3. Maximum Accumulation of Vacation**

Employees accumulating vacation time in one (1) calendar year must use and be allowed to use that time prior to the end of the following calendar year.

- A. Unexpended vacation time in excess of the amount earned in a two (2) year period will be forfeited by the employee, unless the employee has requested vacation leave by December 1 to be taken before the end of the year and the request has been disapproved.
- B. Additional vacation credits in excess of one (1) year's accumulation shall be carried forward to a new calendar year only by agreement between the employee and Sheriff.

### **Section 4. Accrued Vacation Upon Termination**

Upon termination of employment, any accrued vacation days, subject to the maximum accumulation as outlined in Article 10, Section 3:

- A. Shall be taken as vacation prior to retirement, or
- B. Shall be transferred into the employee's VEBA account, as stated in Article 15, Section 3.
- C. Shall not be paid as a lump sum payment.
- D. Shall not, under any circumstances, be credited in such a way as to increase that employee's retirement benefits in a manner that requires additional payment by the County.

## **ARTICLE 11 - SICK LEAVE**

### **Section 1. Sick Leave Accrual**

Sick leave with pay shall accrue at the rate of eight (8) hours of leave for each month of full-time continuous employment for full-time regular employees. Sick leave will

accrue proportionately for part-time employees (24 hours or more or .6 FTE or more) based on their budgeted position appointment. Any sick leave accrued which is unused in any year shall be accumulated for succeeding years for all regular employees.

**Section 2. Attendance Incentive Program - Conversion of Sick Leave Upon Retirement, Voluntary Termination or Death.**

Any regular employee who retires, is laid off, voluntarily terminates employment, or dies while employed by the County may transfer unused sick leave to a VEBA account as follows:

- A. If he or she has at least 480 hours of accrued sick leave:
  - 1. The cash value (up to a maximum of \$6,500) equal to twenty-five percent (25%) of any amount over 480 accrued hours will be transferred into the employee's VEBA account.
  - 2. The bonus cash value of 48 hours (six days) will also be transferred into the employee's VEBA account.
- B. Employees with less than 480 hours of accrued sick leave will receive no benefit from accrued sick leave.
- C. Any such conversion of sick leave upon retirement or death shall be subject to the terms and limitations of law.

I. Long-Term Debt – See NOTE 6 – DEBT SERVICE REQUIREMENTS.

J. Other Financing Sources or Uses

The County's "Other Financing Sources" include proceeds of long-term debt, disposition of capital assets, and transfers between funds. "Other Financing Uses" include only transfers between funds.

K. Risk Management

San Juan County is one of 27 member counties of the Washington Counties Risk Pool ("Pool"). Other Washington member counties include: Adams, Benton, Chelan, Clallam, Clark, Columbia, Cowlitz, Douglas, Franklin, Garfield, Grays Harbor, Island, Jefferson, Kittitas, Lewis, Mason, Okanogan, Pacific, Pend Oreille, Skagit, Skamania, Spokane, Thurston, Walla Walla, Whatcom and Yakima Counties. Kitsap, Klickitat and Whitman Counties are former Pool members, having voluntarily terminated their memberships beginning October 1<sup>st</sup> of 2010, 2002 and 2003 respectively.

**Background:** The Pool was formed August 18, 1988, after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide 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 the state's "pooling" laws and regulations, more specifically,

RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor's Office.

Noteworthy is the definition of "insurer" within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

*Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an "insurer" under this code.*

Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

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 management and litigation of claims. Its core values include being committed to learn, understand and respond to the member counties' insurance need, and 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 to continuous planning and innovation in product development and service delivery.

A Membership Compact was added in 2000 to the original Interlocal Agreement. It constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. It obligates member counties to support these goals through three major elements – membership involvement, risk control practices, and targeted risk management programs.

New members may be asked to pay modest fees to cover any costs incurred to analyze the member's loss data and risk profile, but they are normally required to contribute their proportional shares on only their entry year's insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

**Joint Self-Insurance Liability Program ("JSILP"):** The Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3<sup>rd</sup>-party liability coverage since October 1, 1988, for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the \$1 million limit that existed during the Pool's initial two insuring months to \$5 million, then to \$10 million and on to \$15 million before reaching the \$20 million occurrence

limit that has existed since October 1, 2003. (Note: Additional occurrence limits of \$5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.

The initial \$10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to \$15 million, is acquired as “following form” excess insurance from higher-rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000.

Reinsurance is acquired from higher-rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention (“SIR”) equal to the greater of the applicable member’s deductible or \$100,000. The reinsuring agreements also include first and second layer corridor elements – to \$1 million and from \$1 to \$2 million – with cumulative (WCRP) retentions of \$2.95 and \$0.65 million and annual aggregate limits of \$40 and \$20 million respectively.

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013 (Policy Year 2013), and added to the Pool’s administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years’ decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for *open* claims) increased \$8.1 million during Py2013 to \$250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of \$5.4M, but it represents just 51% of the Py2011 increase of \$16.0M, 46% of the \$17.8M in Py2010, and only 39% of the \$20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as ‘*open*’ at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported (“IBNR”), the Pool’s estimated ultimate claims totaled 19,539 as of September 30, 2013.

The independent actuary’s projection of total reserves for claims that are expected to be the Pool’s responsibility decreased slightly (-1%) from Py2012 to \$14.6 million. This amount includes \$3.4 million (-21% from Py2012) for losses within the Pool’s self-insured retention, \$10.0 million (+7%) for losses subject to the “corridor” programs with the Pool’s reinsurers, \$0.2 million for losses within the Py2013 quota-shared (10%) upper reinsured layer, and \$1.0 million (+3%) for estimated unallocated loss adjustment expenses. *NOTE: The corridor programs involving the WCRP’s first (and now second) layer reinsurers began seven years ago. These programs included an occurrence coverage maximum of \$0.5 million during the first three years, \$1.0 million during the next three years, and of both \$1.0 million and \$2.0 million beginning with Py2013. Occurrence coverage minimums have remained since the corridor program began the greater of the applicable member deductible or \$100,000.*

**Washington Counties Property Program (“WCPP”):** Beginning with Py2006 (October 1, 2005), WCRP added property insurance as a county-by-county option that is jointly-purchased from a consortium of higher-rated commercial carriers. Since the initial offering, both participation and the total values of covered properties have nearly doubled. Twenty-six WCRP counties with covered properties totaling over \$2.7 billion participated in the optional insuring program during Py2013.

The WCPP includes All Other Peril coverage limits of \$500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverages each include annual aggregate limits of \$200 million. The WCPP coverage also includes sublimited items, e.g. Equipment Breakdown / Boiler & Machinery (\$100 million), Special Flood Hazard Areas (\$25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism (\$20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between \$5,000 and \$50,000. Higher deductibles are applicable to losses resulting from catastrophe-relevant losses.

There were 15 claims filed during Py2013 by participating counties with loss estimates totaling \$2.6 million and losses paid by fiscal year-end of \$1.5 million. During its initial eight years as a WCRP optional insuring program, there have been 103 WCPP claims filed with to-date incurred losses totaling \$15.5 million and losses paid through fiscal 2013 of \$8.9 million. Considering the fact that to-date WCPP premiums have totaled \$22.2 million, the WCPP's cumulative loss ratio is below 0.7.

**Other Insurances:** Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverages.

**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 Board, which is 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 a) determining the extent of the 3<sup>rd</sup>-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the Pool's financial health; b) approve case settlements exceeding the applicable member's deductible by at least \$50,000; c) review all claims with incurred loss estimates exceeding \$100,000; and d) evaluate the Pool's operations and program deliverables as well as the Executive Director's performance. Committee members are expected 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.

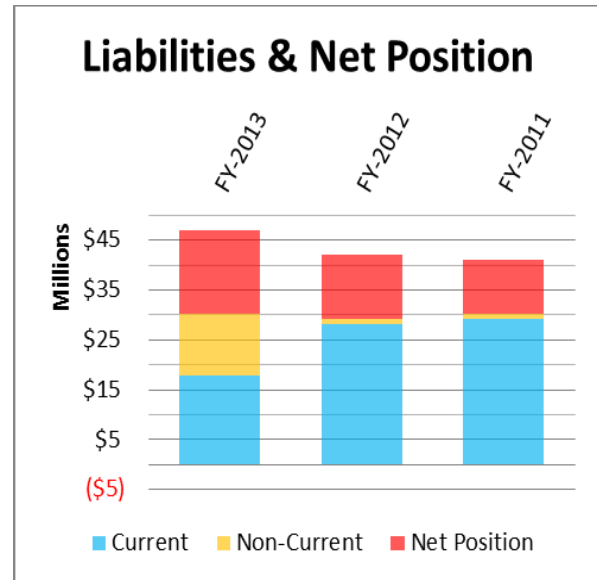
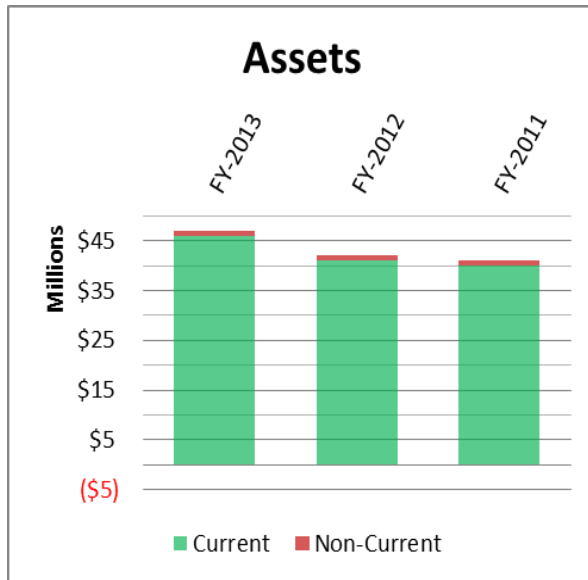


**Staffing and Support Teams:** The Pool's multi-person claims staff with years of combined experience handles or oversees the handling of the several hundred liability cases each year filed upon and submitted by the Pool's member counties. This includes establishing reserves for covered events and estimating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

Professionals from some of the more respected organizations worldwide are regularly called upon to address various needs of the Pool. More specifically, independent actuarial services are furnished by PricewaterhouseCoopers, LLP. Independent claims auditing is performed by Strategic Claims Direction LLC, and special claims audits are occasionally performed by the Pool's commercial reinsurers/insurers. Insurance producer (broker) and advanced loss control and prevention services are provided by Arthur J. Gallagher Risk Management Services, Inc. Coverage counsel is furnished by J. William Ashbaugh of Hackett Beecher & Hart. These professionals are in addition to the many contracted and County attorneys assigned to defend the numerous Pool-covered cases, as well as the examinations by and services from both the State Risk Manager and State Auditor's Offices.

**Financial Summary:** During fiscal 2013, Pool assets grew 11% (+\$4.8 million) and liabilities by 3% (+\$1.0 million). Its net (financial) position, which is commonly referred to as "net assets" and sometimes as "owners' equity," improved 30% (+\$3.9 million) during the Pool's Silver Anniversary year to \$16.7 million as of September 30, 2013. Much of the net position is "restricted" (\$12.5 million) to address the Board of Directors' recently revised requirements in section D of its Underwriting Policy. *NOTE: This policy revision resulted in the Pool's own restriction increasing \$7.5 million (+187%) and the unrestricted declining \$3.8 million (-53%). The (State Risk Manager's) solvency provisions in WAC 200.100.03001(3) required \$0.9 million for satisfaction, a year-over-year increase of \$0.1 million (+15%).* Another \$0.9 million is invested in capital assets (net of debt). The remaining \$3.3 million is unrestricted.

\$3.75 million in operating income was realized during Py2013, an increase of 111% from Py2012. Operating revenues were 'flat', but expenses declined nearly \$2.0 million (-15%). This reduction was in part due to even more favorable adjustments by the independent actuary, PricewaterhouseCoopers LLP ("PwC"), to the Pool's claims-related reserves, and to the reduction (-26%) in the premiums to acquire the reinsurance, excess insurance and property insurance policies requested by the Board.



**Contingent Liability:** The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO (\$0) as there were no known contingent liabilities at that time.

Full financial statements for the Washington Counties Risk Pool can be obtained by writing the Executive Director at:

Executive Director  
 Washington Counties Risk Pool  
 2558 RW Johnson Rd S.W., Suite 106  
 Tumwater, WA 98512-6103

L. Reserved Fund Balances

Fund #	Fund Name	Fund Balance	Nature of Restrictions
001	General Fund		
	Current Expense Grants Clearing	344,463	Use of grant carryforwards is restricted by the terms of the grant or authorizing legislation.
	Budget Stabilization Fund	373,352	Committed by Ordinance 13-2012.
	Veterans' Assistance Fund	<u>7,522</u>	Restricted by RCW 73.08.
		725,337	
102	SJC Conservation Area Fund	6,135,170	Use of tax revenues and earnings thereon is restricted by RCW 82.46.070.
104	SJC Noxious Weed Control	186,661	Restricted by RCW 17.10.240.
109	San Juan County Parks	145,275	Use of revenues from parks and fair ops is restricted by RCW 36.68.070. Use of levy lift transfers from the General Fund is committed by Resolution 28-2009.
110	Treasurer's Operation & Maint	29,187	Restricted by RCW 84.56.020.
111	Dog License	7,696	Committed by SJCC 6.08.070.
112	County Roads	991,211	Restricted by RCW 36.82.020.
122	Lodging Tax Fund	629,079	Restricted by RCW 67.28.180-1815, and further committed by SJCC 3.16.
125	Auditor Document Preservation		
	Auditor O&M Funds	276,656	Restricted by RCW 36.22.170.
	Council Historical Pres Funds	<u>11,216</u>	Restricted by RCW 36.22.170.
		287,872	
127	Crime Victims	9,603	Restricted by RCW 7.68.035.
128	Mental Health Tax Fund	785,190	Restricted by RCW 82.14.460.
192	Septic Housing & Loans	214,820	Restricted by terms of septic loan and homebuyer assistance programs.
195	Public Facilities Improvement	855,919	Restricted by 82.14.370.
196	Affordable Housing Fund		
.01	Affordable Housing	59,316	Restricted by RCW 36.22.178
.02	Homelessness	<u>187,351</u>	Restricted by RCW 36.22.179, 1791
		246,667	
197	Criminal Justice Receiving Fund	122,789	Restricted by RCW 82.14.310.
306	Capital Improvement Fund		
.01	REET 1	608,019	Restricted by RCW 82.46.010.
.02	REET 2	600,456	Restricted by RCW 82.46.035.
.03	Capital Reserves	<u>507,066</u>	Committed for use by SJCC 3.48.040.
	Total Capital Improvement Fund	1,715,541	
401	Solid Waste Fund	1,169,745	Use of excise tax revenues is restricted by RCW 36.58.045. Use of charges for services is committed by SJCC 8.12.020. Use of tax and fee revenues is committed by SJCC 8.12.160.
415	Stormwater Utility Fund	839,133	Committed for use on stormwater projects by SJCC 13.04.110.
501	Equipment Rental & Revolving	2,915,216	Restricted by RCW 36.33A.060.
	<b>Total Restricted Fund Balances</b>	<b>18,012,111</b>	

## NOTE 2 – INVESTMENTS

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

Investments are presented at par. Investments by type as of December 31, 2013, were as follows:

<b>Type of Investment</b>	<b>San Juan County's Own Investments</b>	<b>Investments Held by SJ Co as an Agent for Other Local Gov'ts</b>	<b>Residual Cash**</b>	<b>Total</b>
LGIP	10,562,952*	12,946,192	8,460,273	31,969,417
US Government Securities	0	8,700,068***	10,008,000	18,708,068
Certificates of Deposit	0	0	0	0
Savings Accounts.	0	50,000	0	50,000
<b>Total</b>	<b>10,562,952</b>	<b>21,696,260</b>	<b>18,468,273</b>	<b>50,727,485</b>

\* Includes \$3,451 of interest credited on December 31, 2013, to the County's LGIP interest, which was distributed on January 6, 2014, to specific funds and districts.

\*\* Temporary cash reserves of the County and other agencies. Per RCW 36.29.020, the Treasurer has the authority to invest residual cash from all moneys (County or Districts) in her custody or control "which are not required for immediate expenditure."

\*\*\* \$2,700,068 of this amount was proceeds of a capital loan from Key Bank Government Finance to San Juan County Fire Protection District #3. At the request of the lender, the funds were invested by Federated Securities, Inc., in Federated Government Obligations Fund IS Shares (GOIXX).

## NOTE 3 – PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed daily.

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

In November of 2009, San Juan County voters approved an increase in the County's general tax levy of 12 cents per \$1,000 of valuation. This levy was adopted for six years only and will sunset, unless amended, at the end of 2015. In 2013, this levy represented a levy rate of \$0.16992120295 per \$1,000 on an assessed valuation of \$6,291,741,005 for a total levy of \$1,069,100.

Including the 6-year levy lid lift, the County's regular levy, including the portion of the county road levy shifted to the general fund, for the year 2013 was \$0.8305283269 per \$1,000 on an assessed valuation of \$6,291,741,005 for a total levy of \$5,225,469.

The County is also authorized to levy \$2.25 per \$1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2013 was \$.6102410834 per \$1,000 on an assessed valuation of \$5,823,884,800 for a total road levy of \$3,553,974.

The County levied an additional diverted road levy as authorized by RCW 84.52.043(1)(d). The diverted road levy for 2013 was \$0.01116093505 per \$1,000 on an assessed valuation of \$5,823,884,800 for a total diverted levy of \$650,000.

There is an additional conservation futures levy by the county for the purpose of acquisition of open space, land, or rights to future development of land. The conservation futures levy for 2013 was \$0.0451394026 per \$1,000 on an assessed valuation of \$6,291,741,005 for a total conservation futures levy of \$284,005.

#### NOTE 4 – INTERFUND LOANS AND ADVANCES

There were no interfund loans outstanding between San Juan County funds at any time during 2013. An interagency loan, made in December 2012 from the County's general (Current Expense) fund to Lopez Solid Waste Disposal District, was repaid in December of 2013.

#### NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides details of the outstanding debt and liabilities of the County and summarizes the County's debt transactions for year ended December 31, 2013.

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

	<b>General Obligation Bonds</b>	<b>Other Debt</b>	<b>Total Debt</b>
<b>2013</b>	1,670,104.21	333,999.86	2,004,104.07
<b>2014</b>	1,677,569.07	335,937.36	2,013,506.43
<b>2015</b>	1,315,841.71	281,501.65	1,597,343.36
<b>2016</b>	1,307,999.23	231,841.00	1,539,840.23
<b>2017</b>	1,304,062.31	232,641.00	1,536,703.31
<b>2018</b>	1,233,705.61	193,248.76	1,426,954.37
<b>2019-2023</b>	4,690,682.13	948,518.80	5,639,200.93
<b>2024-2028</b>	3,440,702.89	898,953.78	4,339,656.67
<b>2029-2033</b>	1,550,175.00	0.00	1,550,175.00
<b>2034-2038</b>	966,000.00	0.00	966,000.00
<b>Totals</b>	<b>19,156,842.16</b>	<b>3,456,642.21</b>	<b>22,613,484.37</b>

## NOTE 6 – PENSION PLANS

Substantially all San Juan County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS), Plans 1, 2, and 3; Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), Plans 1 and 2; and Public Safety Employees' Retirement System (PSERS), Plan 2. Actuarial information is on a system-wide basis and is not considered pertinent to San Juan County's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

DRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

## NOTE 7 – OTHER DISCLOSURES

Charter Changes. In November of 2012, the voters of San Juan County adopted significant changes to the County Home Rule Charter. The changes included reducing the number of Council seats from 6 to 3, and selecting those 3 Council members in County-wide elections from unevenly sized "Residency Districts," as permitted by RCW 36.32.020. In order to accomplish the transition from 6 districts to 3, the adopted amendments called for Council elections in February (the "primary") and April (the "general") elections. Those elections were held in 2013, and the newly-elected Council was seated on May 13, 2013.

Other significant changes included in the 2012 Charter amendments were to the position of County Administrator. Administrative duties of the County were removed from the County Administrator and given back to the newly-constituted County Council. To reflect that change, the title of the County Administrator was changed to County Manager. In addition, the primary responsibility for budget preparation and reporting was shifted from the County Administrator/Manager to the County Auditor.

Solid Waste Operations. San Juan County has struggled with solid waste operations for years. Declining volumes of waste generated during the recession exacerbated the problem. Over time, the County accrued an almost \$1,000,000 negative position in solid waste, which was temporarily funded by interfund loans.

A ballot measure which proposed a parcel-based user charge to support Solid Waste capital and operations failed in November of 2011. As a result, the County decided to wind down Solid Waste operations, with the goal of being out of the Solid Waste business by the end of

September 2012. Options for route-collected systems and for operation of solid waste facilities by external entities were both considered.

The final disposition of solid waste operations on the islands is still being resolved. At the request of a group of citizens from Lopez Island, the Council approved during 2012 the creation of a separate solid waste disposal district on Lopez Island. Lopez Island citizens voted in November 2012 in favor of a property tax to fund the new Lopez Solid Waste Disposal District. On January 1, 2013, the district took over operation of the solid waste transfer station on Lopez Island. LSWDD successfully operated the Lopez transfer station during 2013. A start-up loan of \$50,000 from the County, made in December 2012, was timely repaid by December 2013. The voters voted in November 2013 to renew the annual solid waste property tax. The LSWDD functions as a special purpose district, with the County Treasurer and County Auditor as its fiscal agents and the County Council as its governing board.

RFP processes were conducted to select solid waste operators on Orcas and San Juan Island. Orcas Recycling Services was selected to operate the transfer station on Orcas Island. Several questions about the suitability of ORS to manage the site resulted in a request, in August of 2013, for a review by the County Auditor of the financial soundness of the contract with ORS. Based on that review and input from the public, Council approved the contract with ORS on August 19, 2013. ORS took over operations of the Orcas site on September 5, 2013.

On San Juan Island, Lautenbach Industries was selected to operate the transfer station. Because this transition involves the Town of Friday Harbor – which owns the land on which the San Juan Island transfer station sits – these contract negotiations have been particularly complicated and slow. As of this writing, the County has negotiated a final operating agreement with Lautenbach and lease agreement with the Town, and operations are expected to transition in early June. The County continues to operate the San Juan Island transfer station while contracts are being negotiated.

After all island operations have been contracted out, the County will continue to meet its obligations to protect public health and the environment by ensuring that citizens have appropriate access to solid waste services regardless of who provides those services. This objective will be accomplished through continued County responsibility for all aspects of solid waste planning, oversight of the contractors that provide operational services, level of service requirements of collection companies, home composting programs, household hazardous waste collection, litter and illegal dumping control, and weed disposal.

Additional Sales Tax. In August 2012, San Juan County voters approved adding an additional .3% sales tax, at least one-third of which must be used for “criminal justice purposes,” as authorized by RCW 82.14.450. The tax went into effect on January 1, 2013.

Minority Interests and Joint Operating Agreements. In 1988, one of the conditions of a \$250,000 grant from the San Juan County Hotel/Motel Tax Capital Fund to the San Juan Community Theatre was that the County maintained a 10.26% undivided minority interest in the theatre’s real property. Similarly, in 1999, the County acquired a 17% (\$250,000) minority interest in the Lopez Community Center, also with Hotel/Motel funds. The San Juan Community Theatre and the Lopez Community Center operate these facilities through their boards of trustees. The San Juan Community Theater has the right to repurchase the County’s fractional interest at its fair

market value less ten percent (10%), but not less than \$250,000. In January 2012 the County signed a management and operating agreement with the San Juan Community Theatre which clarifies our mutual responsibilities with regard to our shared and separate interests.

Prior Year Adjustments. In a prior year, the County received \$25,343 from DSHS to be used as a working capital advance for developmental disabilities and substance abuse services. This amount has historically been recorded as a liability. Starting in 2013, the County began to report it also as beginning cash, resulting in a prior year adjustment.



## San Juan County

Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	2002 Refunding GO Bonds - Fair Building	12/1/2014	11,287		5,347	5,940
	251.11	2002 Refunding GO Bonds - Sheriff Wing	12/1/2014	32,451		15,371	17,080
	251.11	2002 Refunding GO Bonds - Parking Lot	12/1/2014	6,349		3,007	3,342
	251.11	2002 Refunding GO Bonds - Orcas Sheriff	12/1/2014	2,587		1,225	1,362
	251.11	2002 Refunding GO Bonds - SJ Senior Center	12/1/2014	3,998		1,894	2,104
	251.19	2002 Refunding GO Bonds -SJ & Orcas Transfer Station/Orcas Landfill	12/1/2014	38,330		18,156	20,174
	251.11	2012 Refunding GO Bonds - Land Bank New	12/1/2026	980,000		0	980,000
	251.11	2012 Refunding GO Bonds - Land Bank 2006 Defeasing	12/1/2026	1,890,000		0	1,890,000
	251.11	2012 Refunding GO Bonds - Land Bank 2002 Refunded	12/1/2026	1,445,000		0	1,445,000
	251.11	2012 Refunding GO Bonds - Parks	12/1/2020	450,000		50,000	400,000
	251.19	2012 Refunding GO Bonds - Landfill Capital	12/1/2026	165,000		10,000	155,000
	251.11	2004 GO Bonds - Cattle Point	12/1/2018	455,000		70,000	385,000

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	2004 GO Bonds - Road Fund	12/1/2018	681,141		104,218	576,923
	251.19	2004 GO Bonds - ER&R Fund	12/1/2018	233,858		35,782	198,076
	251.11	2006 GO Bonds - Carlson Building	12/1/2026	1,500,000		80,000	1,420,000
	251.11	2006 GO Bonds -Turtleback from Cons Futures	12/1/2036	4,090,354		39,304	4,051,050
	251.11	2006 GO Bonds - Turtleback from Cons REET	12/1/2014	1,299,646		635,696	663,950
	251.19	2002 GO Bonds - Sutton Road Property	12/1/2017	74,100		13,300	60,800
	251.19	2002 GO Bonds - Beaverton Valley Rd Property	12/1/2017	315,900		56,700	259,200
	251.19	2012 GO Bond - Solid Waste Legacy Bond	12/1/2027	790,000		40,000	750,000
	263.81	Septic Revolving Loan - SEPTC, Loan # L0500018	6/30/2015	253,025		100,831	152,194
	263.96	San Juan County Fair - Fairgrounds addition	12/1/2017	132,090		24,155	107,935
	263.96	San Juan County Parks - Odlin Park Renovation	12/1/2021	105,000		10,000	95,000
	263.96	County Roads - Orcas Dock Acquisition	12/1/2028	1,935,000		85,000	1,850,000
	259.11	Compensated Absences - Governmental		1,070,326	0	26,556	1,043,770
	259.11	Compensated Absences - Proprietary		107,665		29,144	78,521

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
<b>General Obligations</b>							
	263.21	Liabilities for Landfills Closure and Postclosure		1,620,314		126,880	1,493,434
		<b>Total General Obligations:</b>		<b>19,688,421</b>	<b>0</b>	<b>1,582,566</b>	<b>18,105,855</b>
<b>Revenue Obligations</b>							
	263.52	Juvenile Detention Facility - Interlocal W/Skagit Co	1/31/2017	50,000		10,000	40,000
		<b>Total Revenue Obligations:</b>		<b>50,000</b>		<b>10,000</b>	<b>40,000</b>
		<b>Total Liabilities:</b>		<b>19,738,421</b>	<b>0</b>	<b>1,592,566</b>	<b>18,145,855</b>

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture/WA State Dept of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C16897	79,352		79,352	
Food And Nutrition Service, Department Of Agriculture/WA State Dept of Health	WIC Farmer's Market Nutrition Program (FMNP)	10.572	C16897	115		115	
Natural Resources Conservation Service, Department Of Agriculture/	Wildlife Habitat Incentive Program	10.914	720546080XX		3,422	3,422	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce/WA State Recreation and Conservation Office	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	11-1473P	17,947		17,947	6
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce/WA State Recreation and Conservation Office	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	11.438	13-1359P	13,301		13,301	6
Total CFDA 11.438				31,248	0	31,248	
Office Of Community Planning And Development, Department Of Housing And Urban Development/WA State Dept of Commerce	Home Investment Partnerships Program	14.239	12-47101-121	15,196		15,196	
Fish And Wildlife Service, Department Of The Interior/	Partners for Fish and Wildlife	15.631	F12AC01289		6,005	6,005	
Fish And Wildlife Service, Department Of The Interior/	State Wildlife Grants	15.634	WA-S-2013-005-0		3,005	3,005	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/WA State Dept of Social and Health Services	Juvenile Accountability Block Grants	16.523	0663-98407-07	2,866		2,866	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice/WA State Dept of Social and Health Services	Juvenile Accountability Block Grants	16.523	1363-82817	1,687		1,687	
<b>Total CFDA 16.523</b>				<b>4,553</b>	<b>0</b>	<b>4,553</b>	
Office For Victims Of Crime, Department Of Justice/WA State Dept of Commerce	Crime Victim Assistance	16.575	S-13-31119-032	13,894		13,894	
Office For Victims Of Crime, Department Of Justice/WA State Dept of Commerce	Crime Victim Assistance	16.575	S14-31119-032	17,572		17,572	
<b>Total CFDA 16.575</b>				<b>31,466</b>	<b>0</b>	<b>31,466</b>	
Violence Against Women Office, Department Of Justice/WA State Dept of Commerce	Violence Against Women Formula Grants	16.588	F12-31103-054	27,122		27,122	
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	Online application		734	734	
Federal Highway Administration (fhwa), Department Of Transportation/WA State DOT	Highway Planning and Construction	20.205	LA-7833	221,213		221,213	
Federal Highway Administration (fhwa), Department Of Transportation/WA State DOT	Highway Planning and Construction	20.205	LA-7303	281,117		281,117	
Federal Highway Administration (fhwa), Department Of Transportation/WA State DOT	Highway Planning and Construction	20.205	LA-7425	351,014		351,014	
Federal Highway Administration (fhwa), Department Of Transportation/WA State DOT	Highway Planning and Construction	20.205	LA=7426	2,725		2,725	
Federal Highway Administration (fhwa), Department Of Transportation/WA State DOT	Highway Planning and Construction	20.205	LA-7432	415,509		415,509	
<b>Total CFDA 20.205</b>				<b>1,271,578</b>	<b>0</b>	<b>1,271,578</b>	

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Federal Transit Administration (fta), Department Of Transportation/WA State DOT	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCA6844	37,593		37,593	
Federal Transit Administration (fta), Department Of Transportation/WA State DOT	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCA6843	48,198		48,198	
Federal Transit Administration (fta), Department Of Transportation/WA State DOT	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB1633	24,284		24,284	
<b>Total CFDA 20.513</b>				<b>110,075</b>	<b>0</b>	<b>110,075</b>	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Association of Sheriffs and Police Chiefs	State and Community Highway Safety	20.600	WASPC award letter 2/6/13	1,400		1,400	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Association of Sheriffs and Police Chiefs	State and Community Highway Safety	20.600	WTSC award letter signed 6/21/13	813		813	
<b>Total CFDA 20.600</b>				<b>2,213</b>	<b>0</b>	<b>2,213</b>	
Pipeline And Hazardous Materials Safety Administration, Department Of Transportation/WA State Military Dept	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	E13-050	2,841		2,841	
Environmental Protection Agency/City of Seattle Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	EPA-R10-PS-1001	32,086		32,086	6
Environmental Protection Agency/	Puget Sound Watershed Management Assistance	66.120	J12501		243,107	243,107	6
<b>Total CFDA 66.120</b>				<b>32,086</b>	<b>243,107</b>	<b>275,193</b>	
Region 10, Environmental Protection Agency/WA Dept of Fish and Wildlife	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	2014-14	9,488		9,488	6

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Region 10, Environmental Protection Agency/Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	KC-400-12	30,935		30,935	
Region 10, Environmental Protection Agency/WA State Dept of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16897	32,338		32,338	6
Region 10, Environmental Protection Agency/WA State Dept of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16897	82,827		82,827	6
Region 10, Environmental Protection Agency/WA State Dept of Health	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C16897	2,122		2,122	6
Region 10, Environmental Protection Agency/Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2012-30	60,593		60,593	6
Region 10, Environmental Protection Agency/Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2014-09	6,038		6,038	6
<b>Total CFDA 66.123</b>				<b>214,853</b>	<b>0</b>	<b>214,853</b>	
Office Of Water, Environmental Protection Agency/WA State Dept of Ecology	National Estuary Program	66.456	G1300028	40,491		40,491	6
Office Of Water, Environmental Protection Agency/WA State Dept of Ecology	National Estuary Program	66.456	G1400360	32,153		32,153	6

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
			<b>Total CFDA 66.456</b>	<b>72,644</b>	<b>0</b>	<b>72,644</b>	
Office Of Water, Environmental Protection Agency/WA State Dept of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1200013	12,362		12,362	
Office Of Water, Environmental Protection Agency/WA State Dept of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L12S00013	12,362		12,362	
			<b>Total CFDA 66.458</b>	<b>24,724</b>	<b>0</b>	<b>24,724</b>	
Office Of Water, Environmental Protection Agency/WA State Dept of Health	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C16897	3,905		3,905	
Office Of Special Education And Rehabilitative Services, Department Of Education/Wa State Dept of Early Learning	Special Education-Grants for Infants and Families	84.181	12-1267	7,237		7,237	
Office Of Special Education And Rehabilitative Services, Department Of Education/Wa State Dept of Early Learning	Special Education-Grants for Infants and Families	84.181	14-1041	8,706		8,706	
			<b>Total CFDA 84.181</b>	<b>15,943</b>	<b>0</b>	<b>15,943</b>	
U.S. Election Assistance Commission/WA Secretary of State	Help America Vote Act Requirements Payments	90.401	#G-2856	1,935		1,935	
Administration For Community Living, Department Of Health And Human Services/Northwest Regional Council	Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044	161004-SJSS	42,778		42,778	
Administration For Community Living, Department Of Health And Human Services/Whatcom Council on Aging	Special Programs for the Aging, Title III, Part C Nutrition Services	93.045	Interlocal Agreement	6,050		6,050	
Administration For Community Living, Department Of Health And Human Services/Northwest Regional Council	National Family Caregiver Support, Title III, Part E	93.052	161004-SJSS	11,796		11,796	



Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Health	Public Health Emergency Preparedness	93.069	C16897	7,609		7,609	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Health	Immunization Cooperative Agreements	93.268	C16897	12,703		12,703	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Health	Immunization Cooperative Agreements	93.268	C16897: Vaccines received in-lieu of cash	15,127		15,127	3
<b>Total CFDA 93.268</b>				<b>27,830</b>	<b>0</b>	<b>27,830</b>	
Substance Abuse And Mental Health Services Administration, Department of Health and Human Services/	Drug-Free Communities Support Program Grants	93.276	5H79SP011677		118,692	118,692	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Whatcom County	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	12HC.044	8,813		8,813	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16897	159		159	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16897	4,558		4,558	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16897	1,401		1,401	
<b>Total CFDA 93.539</b>				<b>6,118</b>	<b>0</b>	<b>6,118</b>	
Administration For Children And Families, Department Of Health And Human Services/WA Dept of Social and Health Services	Child Support Enforcement	93.563	0463-42396	69,429		69,429	6
Administration For Children And Families, Department Of Health And Human Services/WA Dept of Social and Health Services	Child Support Enforcement	93.563	9963-42272	28,341		28,341	6
<b>Total CFDA 93.563</b>				<b>97,770</b>	<b>0</b>	<b>97,770</b>	

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Centers For Disease Control And Prevention, Department Of Health And Human Services/WA State Dept of Social and Health Services	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733	C16897	350		350	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA State Dept of Social and Health Services	Medical Assistance Program	93.778	1163-35267	3,456		3,456	4
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA State Dept of Social and Health Services	Medical Assistance Program	93.778	1163-27322	8,584		8,584	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA State Health Care Authority	Medical Assistance Program	93.778	1163-33987	2,036		2,036	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA State Health Care Authority	Medical Assistance Program	93.778	K771	1,145		1,145	
<b>Total CFDA 93.778</b>				<b>15,221</b>	<b>0</b>	<b>15,221</b>	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/North Sound Mental Health Administration	Block Grants for Community Mental Health Services	93.958	NSHMA-San Juan - FBG-11-12	16,843		16,843	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/North Sound Mental Health Administration	Block Grants for Community Mental Health Services	93.958	NSHMA-San Juan - MHBG-13-15	1,677		1,677	
<b>Total CFDA 93.958</b>				<b>18,520</b>	<b>0</b>	<b>18,520</b>	

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services/WA State Dept of Social and Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27322	42,848		42,848	
Health Resources And Services Administration, Department Of Health And Human Services/WA State Dept of Health	Maternal and Child Health Services Block Grant to the States	93.994	C16897	31,523		31,523	
Department Of Homeland Security/WA State Parks and Recreation Commission	Boating Safety Financial Assistance	97.012	5/8/13 extended award letter	8,901		8,901	
Department Of Homeland Security/WA State Military Dept	Emergency Management Performance Grants	97.042	E12-343	8,928		8,928	
Department Of Homeland Security/WA State Military Dept	Emergency Management Performance Grants	97.042	E14-174	391		391	
<b>Total CFDA 97.042</b>				<b>9,319</b>	<b>0</b>	<b>9,319</b>	
Department Of Homeland Security/	Port Security Grant Program	97.056	EMW-2012-PU-00097-S01		201,453	201,453	
Department Of Homeland Security/WA State Military Dept	Homeland Security Grant Program	97.067	K1032-CCP-11	733		733	
Department Of Homeland Security/WA State Military Dept	Homeland Security Grant Program	97.067	E12-186	5,829		5,829	
Department Of Homeland Security/WA State Military Dept	Homeland Security Grant Program	97.067	E13-152	41,226		41,226	
Department Of Homeland Security/WA State Military Dept	Homeland Security Grant Program	97.067	E13-224	28,191		28,191	
<b>Total CFDA 97.067</b>				<b>75,979</b>	<b>0</b>	<b>75,979</b>	
<b>Total Federal Awards Expended:</b>				<b>2,362,762</b>	<b>576,418</b>	<b>2,939,180</b>	

**SAN JUAN COUNTY, WASHINGTON**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended 12/31/2013**

Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on an *Other Comprehensive Basis of Accounting: Cash Basis*. San Juan County uses the cash basis of accounting for all funds. Grant expenditures for the audit year 2013 include 13th month expenditures as part of the audit year.

This schedule is prepared as directed from the BARS manual regarding format and content.

Note 2 - PROGRAM COST

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 - NONCASH AWARDS - VACCINATIONS

The amount of Vaccine in-lieu of Cash reported on the schedule is the value of vaccines received by the county during the current year and priced as prescribed by the WA Immunization Program.

Note 4 - MEDICAL ASSISTANCE PROGRAM

The periods of January through June, 2013 had not been billed as of the submission of the SEFA. The billing formula is dependent on various factors and reimbursement cannot be determined until amounts are entered into the billing template. The cutoff for billing a prior year is 12 months after the ending date of the billing period. CFDA# 93.778. \$3,456 has been received as reimbursement for the 3rd and 4th quarters of 2012.

Note 6 - INDIRECT COST RATE

The amount expended includes \$ 52,531 claimed as an indirect cost recovery using an approved indirect cost rate.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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