



**Office of the Washington State Auditor**  
**Pat McCarthy**

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

## **San Juan County**

**For the period January 1, 2017 through December 31, 2017**

**Published September 20, 2018**

**Report No. 1022184**





**Office of the Washington State Auditor  
Pat McCarthy**

September 20, 2018

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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### San Juan County January 1, 2017 through December 31, 2017

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

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

##### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

##### Federal Awards

##### Internal Control over Major Programs:

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

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

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

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

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
15.614	Coastal Wetlands Planning, Protection and Restoration
93.563	Child Support Enforcement

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

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

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

See finding 2017-001.

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

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### San Juan County

January 1, 2017 through December 31, 2017

**2017-001    The County did not have adequate controls in place to ensure accurate reporting of fiduciary funds.**

#### *Background*

The County's governing body and management are responsible for designing and implementing internal controls that provide reasonable assurance regarding the reliability of financial reporting. The County prepares its financial statements in accordance with the *Budgeting, Accounting and Reporting System* (BARS) manual.

Our audit identified a deficiency in controls over financial statements that hindered the ability to produce reliable financial statements. This deficiency represents a significant deficiency.

#### *Description of Condition*

A 2017 update to BARS Manual guidance required counties to report all of their money held in an agency capacity (for special purpose districts within a county) on the County's fiduciary financial statements. Although the County was aware of and took steps to apply this new reporting requirement, the County did not fully implement it. The County misinterpreted the requirement, resulting in the exclusion of financial information for the school district agency funds.

#### *Cause of Condition*

Turnover in key long-term employees involved in the financial statement preparation process impaired the County's ability to prepare accurate financial statements.

#### *Effect of Condition*

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

- Ending cash and investments were underreported by \$16,544,403.
- Total additions were underreported by \$21,391,956.
- Total deductions were underreported by \$13,864,580.

The County subsequently made material corrections to these errors.

## ***Recommendations***

We recommend the County ensure adequate training is provided to employees involved in preparing and reviewing its financial statements, and to establish controls to ensure changes in reporting requirements are fully implemented.

## ***County's Response***

*San Juan County agrees with the State Auditor's finding. The cause was turnover of key long-term employees involved in the financial statement preparation process and the misinterpretation of the newly implemented reporting requirement. This misunderstanding led to the exclusion of the financial information of the school districts agency funds. Going forward the County will ensure adequate training is provided to new employees involved in the financial statement preparation process. We will also work with the State Auditor's Office to help facilitate better communication of reporting requirements, and better training in new procedures.*

## ***Auditor's Remarks***

We appreciate the steps the County is taking to resolve this issue and we appreciate its commitment to strengthening its processes and procedures. We are committed to providing any help we can to ensure strong control systems are in place.

## ***Applicable Laws and Regulations***

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

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

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

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

**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, 2017 through December 31, 2017**

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated September 14, 2018.

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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



internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be significant deficiencies.

## COMPLIANCE AND OTHER MATTERS

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

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

## COUNTY'S RESPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

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

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Pat McCarthy  
State Auditor  
Olympia, WA

September 14, 2018

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

**San Juan County  
January 1, 2017 through December 31, 2017**

Council  
San Juan County  
Friday Harbor, Washington

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

We have audited the compliance of San Juan County, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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

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

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

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 14, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **San Juan County** **January 1, 2017 through December 31, 2017**

Council  
San Juan County  
Friday Harbor, Washington

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

We have audited the accompanying financial statements of San Juan County, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements, as listed on page 17.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of San Juan County, for the year ended December 31, 2017, 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, 2017, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

September 14, 2018



## **FINANCIAL SECTION**

### **San Juan County January 1, 2017 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2017  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017  
Notes to Financial Statements – 2017

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

Schedule of Liabilities – 2017  
Schedule of Expenditures of Federal Awards – 2017  
Notes to the Schedule of Expenditures of Federal Awards – 2017

**San Juan County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>102 Land Bank Stewardship &amp; Management</b>	<b>104 SJC Noxious Weed Control</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	19,587,841	630,520	8,467,453	283,257
30880	Unreserved	9,040,762	4,713,015	-	-
388 / 588	Prior Period Adjustments, Net	316,680	(320)	-	-
<b>Revenues</b>					
310	Taxes	25,388,616	13,044,506	3,836,575	-
320	Licenses and Permits	1,374,806	1,312,281	-	-
330	Intergovernmental Revenues	10,526,039	3,040,240	985,262	-
340	Charges for Goods and Services	4,408,997	2,211,485	7,756	2,276
350	Fines and Penalties	338,156	335,294	-	-
360	Miscellaneous Revenues	3,890,603	801,953	148,916	160,841
Total Revenues:		45,927,217	20,745,759	4,978,509	163,117
<b>Expenditures</b>					
510	General Government	9,279,378	7,747,537	-	-
520	Public Safety	5,387,215	5,387,215	-	-
530	Utilities	648,871	-	-	-
540	Transportation	7,043,060	-	-	-
550	Natural and Economic Environment	3,705,133	2,233,084	-	149,973
560	Social Services	4,114,721	3,447,814	-	-
570	Culture and Recreation	2,693,188	240,333	1,127,738	-
Total Expenditures:		32,871,566	19,055,983	1,127,738	149,973
Excess (Deficiency) Revenues over Expenditures:		13,055,651	1,689,776	3,850,771	13,144
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	3,691,527	206,544	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	258,372	-	616	-
381, 395, 398	Other Resources	21,180	291	-	-
Total Other Increases in Fund Resources:		3,971,079	206,835	616	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	9,127,316	87,440	3,902,110	-
591-593, 599	Debt Service	1,418,367	11,903	642	-
597	Transfers-Out	3,691,526	516,570	689,728	26,935
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	209,240	-	616	-
581	Other Uses	200,000	200,000	-	-
Total Other Decreases in Fund Resources:		14,646,449	815,913	4,593,096	26,935
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,380,281</b>	<b>1,080,698</b>	<b>(741,709)</b>	<b>(13,791)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	21,552,239	937,048	7,725,745	269,466
5088000	Unreserved	9,772,984	5,486,573	-	-
<b>Total Ending Cash and Investments</b>		<b>31,325,223</b>	<b>6,423,621</b>	<b>7,725,745</b>	<b>269,466</b>

The accompanying notes are an integral part of this statement.

**San Juan County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>109 San Juan County Parks</b>	<b>110 Treasurer's Operation &amp; Maintenance</b>	<b>111 Dog License</b>	<b>112 County Roads</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	16,072	28,197	6,357	1,897,530
30880	Unreserved	63,389	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	317,000
<b>Revenues</b>					
310	Taxes	4,515	-	-	3,955,906
320	Licenses and Permits	4,197	-	18,742	21,555
330	Intergovernmental Revenues	129,361	-	-	5,989,971
340	Charges for Goods and Services	179,601	15,123	-	367,304
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	453,172	229	-	35,934
Total Revenues:		770,846	15,352	18,742	10,370,670
<b>Expenditures</b>					
510	General Government	-	14,513	-	246,330
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	5,765,798
550	Natural and Economic Environment	-	-	18,695	-
560	Social Services	-	-	-	-
570	Culture and Recreation	1,323,617	-	-	-
Total Expenditures:		1,323,617	14,513	18,695	6,012,128
Excess (Deficiency) Revenues over Expenditures:		(552,771)	839	47	4,358,542
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	940,159	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	28,321	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		968,480	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	335,024	-	-	2,647,893
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	126,499	-	-	605,306
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	28,475	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		489,998	-	-	3,253,199
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(74,289)</b>	<b>839</b>	<b>47</b>	<b>1,105,343</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	6,048	29,036	6,404	3,319,873
5088000	Unreserved	(874)	-	-	-
<b>Total Ending Cash and Investments</b>		<b>5,174</b>	<b>29,036</b>	<b>6,404</b>	<b>3,319,873</b>

**San Juan County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>122 Lodging Tax Fund</b>	<b>125 Auditor Document Preservation</b>	<b>127 Crime Victims</b>	<b>128 Mental Health Tax Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,671,037	127,420	22,721	1,002,804
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,479,590	-	-	561,906
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	47,678	-	-
340	Charges for Goods and Services	-	17,200	4,601	-
350	Fines and Penalties	-	-	2,862	-
360	Miscellaneous Revenues	7,318	713	-	-
Total Revenues:		1,486,908	65,591	7,463	561,906
<b>Expenditures</b>					
510	General Government	-	49,359	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	911,693	-	-	-
560	Social Services	-	-	-	464,024
570	Culture and Recreation	-	1,500	-	-
Total Expenditures:		911,693	50,859	-	464,024
Excess (Deficiency) Revenues over Expenditures:		575,215	14,732	7,463	97,882
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	6,985	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	252,200	-	10,000	26,118
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		252,200	6,985	10,000	26,118
<b>Increase (Decrease) in Cash and Investments:</b>		<b>323,015</b>	<b>7,747</b>	<b>(2,537)</b>	<b>71,764</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,994,052	135,167	20,185	1,074,568
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>1,994,052</b>	<b>135,167</b>	<b>20,185</b>	<b>1,074,568</b>

**San Juan County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>169 Orcas Senior Services Building</b>	<b>192 Septic &amp; Housing Loans</b>	<b>195 Public Facilities Improvement</b>	<b>196 Affordable Housing Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	6,861	320,904	973,745	249,741
30880	Unreserved	16,860	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	510,249	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	14,053	-	-
340	Charges for Goods and Services	-	100	-	175,687
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	32,213	3,236	7,422	8,168
Total Revenues:		32,213	17,389	517,671	183,855
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	40,649	349,538	1,501
560	Social Services	61,437	-	-	141,446
570	Culture and Recreation	-	-	-	-
Total Expenditures:		61,437	40,649	349,538	142,947
Excess (Deficiency) Revenues over Expenditures:		(29,224)	(23,260)	168,133	40,908
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	27,772	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	51,169	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		27,772	51,169	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	35,000
591-593, 599	Debt Service	152	34,418	-	-
597	Transfers-Out	-	-	208,867	595
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		152	34,418	208,867	35,595
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,604)</b>	<b>(6,509)</b>	<b>(40,734)</b>	<b>5,313</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	6,058	314,395	933,011	255,054
5088000	Unreserved	16,059	-	-	-
<b>Total Ending Cash and Investments</b>		<b>22,117</b>	<b>314,395</b>	<b>933,011</b>	<b>255,054</b>

**San Juan County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>197 Criminal Justice Receiving Fund</b>	<b>200 Bond Redemption Fund</b>	<b>306 Capital Improvement Fund</b>	<b>401 Solid Waste Fund</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	161,033	-	2,937,944	784,245
30880	Unreserved	-	1,498	757,665	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	1,570,917	424,452
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	223,574	-	7,987	87,913
340	Charges for Goods and Services	-	-	3,484	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	915	4	22,935	63,426
Total Revenues:		224,489	4	1,605,323	575,791
<b>Expenditures</b>					
510	General Government	-	-	7,254	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	352,280
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	7,254	352,280
Excess (Deficiency) Revenues over Expenditures:		224,489	4	1,598,069	223,511
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,225,614	339,272	507,573
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	180,149	-	-
381, 395, 398	Other Resources	-	-	-	2,708
Total Other Increases in Fund Resources:		-	1,405,763	339,272	510,281
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	302,501	648,261
591-593, 599	Debt Service	-	1,225,615	-	29,433
597	Transfers-Out	222,000	-	978,719	1,063
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	180,149	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		222,000	1,405,764	1,281,220	678,757
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,489</b>	<b>3</b>	<b>656,121</b>	<b>55,035</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	163,522	-	3,523,327	839,280
5088000	Unreserved	-	1,501	828,404	-
<b>Total Ending Cash and Investments</b>		<b>163,522</b>	<b>1,501</b>	<b>4,351,731</b>	<b>839,280</b>

**San Juan County**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>415 Stormwater Utility Fund</b>	<b>501 Equipment Rental &amp; Revolving</b>	<b>502 Information Technology</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	892,492	2,500,510	95,333
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	18,031	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	-	114,344	1,310,036
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	396,398	1,744,385	2,425
Total Revenues:		414,429	1,858,729	1,312,461
<b>Expenditures</b>				
510	General Government	-	-	1,214,385
520	Public Safety	-	-	-
530	Utilities	296,591	-	-
540	Transportation	-	1,277,262	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		296,591	1,277,262	1,214,385
Excess (Deficiency) Revenues over Expenditures:		117,838	581,467	98,076
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	134,279	310,314	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	(1,883)	-
381, 395, 398	Other Resources	-	18,181	-
Total Other Increases in Fund Resources:		134,279	326,612	-
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	96,799	1,007,522	57,781
591-593, 599	Debt Service	-	116,204	-
597	Transfers-Out	1,169	19,613	6,144
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		97,968	1,143,339	63,925
<b>Increase (Decrease) in Cash and Investments:</b>		<b>154,149</b>	<b>(235,260)</b>	<b>34,151</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	1,046,641	2,265,250	129,430
<b>Total Ending Cash and Investments</b>		<b>1,046,641</b>	<b>2,265,250</b>	<b>129,430</b>

**San Juan County**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2017**

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Pension Trust</b>	<b>Private-Purpose Trust</b>
308	Beginning Cash and Investments	23,370,011	466,383	336,371	204,032
388 & 588	Prior Period Adjustment, Net	(3,796)	-	-	-
310-390	Additions	98,660,893	573,721	47,088	3,050,120
510-590	Deductions	89,507,552	773,461	35,369	2,144,354
	Net Increase (Decrease) in Cash and Investments:	9,153,341	(199,740)	11,719	905,766
508	Ending Cash and Investments	32,519,607	266,643	348,090	1,109,798

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



**Agency**

308	Beginning Cash and Investments	<u>22,363,225</u>
388 & 588	Prior Period Adjustment, Net	(3,796)
310-390	Additions	94,989,964
510-590	Deductions	<u>86,554,368</u>
	Net Increase (Decrease) in Cash and Investments:	8,435,597
508	Ending Cash and Investments	30,795,075

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

**SAN JUAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDING DECEMBER 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 six to three legislative body members and the replacement of the County Administrator with a County Manager.

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; stormwater utility construction and maintenance; and general administrative services. During 2014, San Juan County completed the process of turning over formerly County-operated solid waste facilities to other operators. On Lopez Island, solid waste services are now provided by the Lopez Solid Waste Disposal District, a special-purpose taxing district. On Orcas Island, solid waste services are now provided by Orcas Recycling Services, a non-profit agency. On San Juan Island, solid waste services are now provided by Lautenbach Industries, a for-profit corporation. The County continues the oversight of solid waste operations and the provision of special solid waste disposal efforts, such as litter, weeds, and hazardous materials.

In addition, through the County Treasurer and County Auditor, the County is the fiscal agent for twenty-four (24) school and special purpose districts – twenty-five (25) starting in 2018, with the addition of the new Orcas Island Public Hospital District.

San Juan County reports financial activity in accordance with the Cash Basis Budgeting, Accounting and Reporting System (BARS) Manual prescribed by the State Auditor's Office under authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The Schedule of Liabilities is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

## A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash, investments, revenues and expenditures. The County's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

### GOVERNMENTAL FUND TYPES:

#### General Fund

This 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 specific revenue sources 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 that 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 Fund and Information Technology Fund).

### **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. Financial reports for San Juan County are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law (RCW 36.40.200), the County also recognizes for the previous year expenditures paid during the first fifteen days after the close of the fiscal year, if they are for claims incurred during the previous period.

### **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 2017 are presented in the table below. NOTE: In a cash-basis entity, ending cash is budgeted as an expenditure. The numbers in this table include only appropriated expenditures, not estimates of ending cash.

<b>Fund #</b>	<b>Fund Name</b>	<b>Final Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
001	County Current – General	18,470,032	17,660,147	-809,885
002	Current Expense Grants Clearing	3,176,644	2,711,153	-465,491
003	Budget Stabilization Fund	0	0	0
004	Veterans' Assistance Fund	111,118	66,352	-44,766
005	Insurance Cumulative Reserve	292,476	45,166	-247,310
007	Emergency Management	110,676	109,748	-928
102	SJC Conservation Area Fund	5,986,590	5,884,899	-101,691
103	Land Bank Stewardship & Mgt	898,196	854,543	-43,653
104	SJC Noxious Weed Control	182,348	176,907	-5,441

109	San Juan County Parks	2,299,267	1,813,614	-485,653
110	Treasurer's Operation & Maintenance	23,576	14,513	-9,063
111	Dog License	25,145	18,696	-6,449
112	County Roads	10,506,045	9,265,329	-1,240,716
122	Lodging Tax Fund	1,302,168	1,163,893	-138,275
<b>Fund #</b>	<b>Fund Name</b>	<b>Final Appropriations</b>	<b>Actual Expenditures</b>	<b>Variance</b>
124	Eastsound Parking Fund	0	0	0
125	Auditor Document Preservation	72,987	57,845	-15,142
127	Crime Victims	10,000	10,000	0
128	Mental Health Tax Fund	691,718	490,142	-201,576
169	Orcas Senior Services Building	79,751	61,591	-18,160
192	Septic Housing & Loans	798,626	75,067	-723,559
195	Public Facilities Improvement Rec'g	975,908	558,405	-417,503
196	Affordable Housing Fund	215,704	178,541	-37,163
197	Criminal Justice Receiving Fund	222,000	222,000	0
200	Bond Redemption Fund	1,405,765	1,405,764	-1
306	Capital Improvement Fund	2,943,479	1,288,474	-1,655,005
401	Solid Waste Fund	330,768	302,492	-28,276
401	Solid Waste Projects Fund	818,906	728,543	-90,363
415	Stormwater Utility Fund	558,871	297,759	-261,112
415	Stormwater Utility Capital Projects	683,876	96,799	-587,077
501	Equipment Rental & Revolving	2,847,930	2,420,599	-427,331
502	Information Technology	1,340,883	1,278,394	-62,489
	<b>Grand Total</b>	<b>57,381,453</b>	<b>49,257,374</b>	<b>-8,124,079</b>

Note: Actual Expenditures in the table above do not match reported expenditures on the Fund Resources and Uses Arising from Cash Transactions schedule of the financial statements for funds 001 through 007, and 102 and 103. The table above includes transfers between funds that are rolled up for reporting purposes. The Fund Resources and Uses Arising from Cash Transactions schedule excludes transfers between rolled up funds.

In San Juan County, 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 2017, and the major reasons for those changes. Any fund with a *decrease* in appropriations is also included. NOTE: In a cash-basis entity, ending cash is budgeted as an expenditure. The numbers in this table include only appropriated expenditures, not estimates of ending cash.

Fund #	Fund Name	Original Appropriated Amounts	Final Appropriated Amounts	\$ Change in Approps	% Change in Approps	Reason for Change
002	Current Expense Grants Clearing	2,820,990	3,176,644	355,654	12.61%	Supplemental revenue and expenditures in various grants, the largest of which was \$209,000 additional funding from marijuana.

1021	SJC Conservation Area Fund	3,008,390	5,986,590	2,978,200	99.00%	Accelerated purchasing plans: \$2 million to pay off Zylstra Lake, and an additional \$900,000 to purchase two more Mt. Grant properties.
<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 Approps</b>	<b>Reason for Change</b>
1031	Land Bank Stewardship & Management	834,958	898,196	63,238	7.57%	\$36,000 for equipment, \$13,000 for operating costs of the Salish Sea Nursery, and misc other minor expenses.
1041	SJC Noxious Weed Control	150,320	182,348	32,028	21.31%	New truck.
1121	County Roads	9,879,513	10,506,045	626,532	6.34%	Additional road projects, \$350,000 of them grant-funded.
1221	Lodging Tax Fund	1,358,260	1,302,168	-56,092	-4.13%	Promotion contract amount decreased because 2017 revenue was less than projected.
1951	Public Facilities Improvement Receiving	518,924	975,908	456,984	88.06%	\$236,000 carryforwards of awards unspent in 2017; \$221,000 was the addition of 2017 awards.
1961	Affordable Housing Fund	185,558	215,704	30,146	16.25%	\$10,000 for increased affordable housing awards, \$20,000 for a study regarding the viability of purchasing an AH project.
1971	Criminal Justice Receiving Fund	183,000	222,000	39,000	21.31%	\$39,000 to purchase a replacement patrol car for one totaled in an accident.
2001	Bond Redemption Fund	1,225,396	1,405,765	180,369	14.72%	Accounting entries re 2017 refunded debt. No actual cash increase.
3061	Capital Improvement Fund	2,629,621	2,943,479	313,858	11.94%	Misc capital projects, including additional \$120,000 for affordable housing project, \$50,000 for law library remodel, and additional \$36,000 for admin campus study.
4157	Stormwater Utility Capital Projects	733,876	683,876	-50,000	-6.81%	Appropriations for capital projects were reduced because of lower-than-expected beginning cash.
5011	Equipment Rental & Revolving	2,612,586	2,847,930	235,344	9.01%	Several fleet additions, including vehicles for Sheriff, Noxious Weeds, Land Bank, Parks and motor pool.
	<b>Grand Total</b>	<b>26,141,392</b>	<b>31,346,653</b>	<b>5,205,261</b>	<b>19.91%</b>	

D. Cash and Investments – See Note 2, Deposits and Investments

E. 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.

F. Compensated Absences

Elected Officials:

San Juan County elected officials, with the exception of the District Court Judge, do not accrue sick time or vacation benefits and are not required to track work hours.

Per RCW 3.34.100 District judges shall be granted sick leave in the same manner as other county employees. A district judge may receive when vacating office remuneration for unused accumulated leave and sick leave at a rate equal to one day's monetary compensation for each full day of accrued leave and one day's monetary compensation for each four full days of accrued sick leave, the total remuneration for leave and sick leave not to exceed the equivalent of thirty days' monetary compensation.

**Vacation**

Unrepresented Employees, Members of AFSCME Local 1849:

Vacation leave may be accumulated up to 320 hours for employees with 20 years of service or less and up to 480 hours for employees with more than 20 years of service and is payable upon separation or retirement.

Sheriff's Guild members:

Vacation leave may be accumulated up to 320 hours for employees with 20 years of service or less and up to 480 hours for employees with more than 20 years of service.

Upon termination of employment, any accrued vacation days, subject to the maximum accumulation:

- A. Shall be taken as vacation prior to retirement, or
- B. Shall be transferred into the employee's VEBA account, as stated in Article 14, 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.

**Sick leave**

Unrepresented Employees:

Eligible regular full-time employees shall accrue sick leave at the rate of eight (8) hours for each full calendar month of employment (comparable to one hour for every 21.75 hours worked). Part-time employees shall accrue sick leave proportionately to their FTE status (also comparable to one hour

for every 21.75 hours worked). 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. Employees who call in sick after giving notice of separation shall have those sick days deducted from the 25% first, then from any remaining sick leave accrual.

Members of AFSCME Local 1849:

Eligible regular full-time employees shall accrue sick leave at the rate of eight (8) hours for each full calendar month of employment (comparable to one hour for every 21.75 hours worked). Part-time employees shall accrue sick leave proportionately to their FTE status (also comparable to one hour for every 21.75 hours worked). 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:

Eligible regular full-time employees as defined in section 9.010 shall accrue sick leave at the rate of eight (8) hours for each full calendar month of employment (comparable to one hour for every 21.75 hours worked). Part-time employees shall accrue sick leave proportionately to their FTE status (also comparable to one hour for every 21.75 hours worked). Sick leave may be accumulated indefinitely.

**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.

G. Long-Term Debt – See Note 5, Debt Service Requirements.

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as reserved when subject to restrictions on use by external parties or due to internal commitments established by the County Council. When expenditures that meet restrictions are incurred, the County's policy is to use reserved resources first before using unreserved amounts, consistent with Resolution 42-2012.

Reserved Ending Cash and Investments at the end of 2017 are shown in the following table.



<b>Fund #</b>	<b>Fund Name</b>	<b>Fund Balance</b>	<b>Nature of Restrictions</b>
001	General Fund		
	Current Expense Grants Clearing	892,053	Use of grant carryforwards is restricted by the terms of the grant or authorizing legislation.
	Veterans' Assistance Fund	<u>44,995</u>	Restricted by RCW 73.08 to assist veterans and their families
		937,048	
102	SJC Conservation Area Fund	7,725,746	Use of tax revenues and earnings thereon is restricted by RCW 82.46.070 to purchase/maintain conservation areas.
104	SJC Noxious Weed Control	269,466	Restricted by RCW 17.10.240 for noxious weed control.
109	San Juan County Parks		
	Brann Cabin Capital	1,108	Donated funds restricted for use on the refurbishment of the historic Brann Cabin.
	Lopez Village Park Reserve	<u>4,940</u>	Donated funds restricted by the terms of an agreement with the Lopez Village Association for use on capital improvements in Lopez Village Park.
		6,048	
110	Treasurer's Operation & Maint	29,035	Restricted by RCW 84.56.020 to manage tax foreclosures.
111	Dog License	6,404	Committed by SJCC 6.08.070 for the dog license program.
112	County Roads	3,319,872	Restricted by RCW 36.82.020 for roads purposes.
122	Lodging Tax Fund	1,994,051	Restricted by RCW 67.28.180-1815, and further committed by SJCC 3.16, for tourism promotion, facilities, activities.
125	Auditor Document Preservation		
	Auditor O&M Funds	121,655	Restricted by RCW 36.22.170 for document preservation.
	Council Historical Pres Funds	<u>13,512</u>	Restricted by RCW 36.22.170 for any type of historical preservation or programs.
		135,167	
127	Crime Victims	20,185	Restricted by RCW 7.68.035 to assist victims of crime.
128	Mental Health Tax Fund	1,074,569	Restricted by RCW 82.14.460 for mental health and chemical dependency programs.
169	Orcas Senior Services Building	6,058	Funds donated by an external organization and restricted by agreement to use on the Orcas Senior Services building.
192	Septic Housing & Loans	314,394	Restricted by terms of septic loan and homebuyer assistance programs.
195	Public Facilities Improvement	933,012	Restricted by 82.14.370 for publicly owned capital projects that further economic development.
196	Affordable Housing Fund		
.01	Affordable Housing	51,662	Restricted by RCW 36.22.178 to provide housing & shelter for low-income households.
.02	Homelessness	<u>203,393</u>	Restricted by RCW 36.22.179 & 1791 to prevent homelessness.
		255,055	
197	Criminal Justice Receiving Fund	163,522	Restricted by RCW 82.14.310 for criminal justice purposes.
306	Capital Improvement Fund		
.01	REET 1	1,205,279	Restricted by RCW 82.46.010 to capital facilities projects.
.02	REET 2	1,395,971	Restricted by RCW 82.46.035 to Roads, Parks, & utility capital projects.
.03	Capital Reserves	806,681	REET 1 funds committed to capital reserves. Some funds are transferred from REET 1 and REET 2 and are subject to those restrictions, as well.
.04	Trial Court Improvement Funds	<u>115,396</u>	Restricted by RCW 3.58.060 to improvements for courts.
	Total Capital Improvement Fund	3,523,327	
401	Solid Waste Fund	839,281	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. Use is limited to waste disposal activities.
	<b>Total Restricted Fund Balances</b>	<b>21,552,240</b>	

## **NOTE 2 – DEPOSITS AND INVESTMENTS**

It is the County's policy to invest all temporary cash surpluses. 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."

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered, or held by the County or its agent in the County's name.

LGIP holdings are presented at fair market value. Government securities and certificates of deposit are presented at original cost. Investments by type as of December 31, 2017, 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	10,861,108.14	23,575,300.02	7,163,551.59	41,599,959.75
US Government Securities	2,500,000.00	500,000.00	18,320,000.00	21,320,000.00
Savings Accounts		270,197.97		270,197.97
<b>Total</b>	13,361,108.14	24,345,497.99	25,483,551.59	63,190,157.72

\* 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."

## **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. In November of 2014, voters adopted a replacement levy of 18 cents per \$1,000 of valuation, which would generate approximately the same amount as the 2009 levy because of decreased assessed valuation. The new levy went into effect for tax year 2015 and will sunset, unless amended, at the end of 2020.

Including the 6-year levy lid lift, the County's regular levy for the year 2017 was \$0.8743781161 per \$1,000 on an assessed valuation of \$6,434,312,921 for a total levy of \$5,626,022. Two earmarked levies are distributed out of the general levy. They are the Veterans Relief levy, at \$0.01125 per

\$1,000 for a total levy of \$72,386, and the Mental Health levy, at \$0.0101875679 per \$1,000 for a total levy of \$65,550.

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 2017 was \$0.6595396416 per \$1,000 on an assessed valuation of \$5,954,789,344 for a total road levy of \$3,927,420.

The County levied an additional diverted road levy as authorized by RCW 84.52.043(1)(d). The diverted road levy for 2017 was \$0.1091558345 per \$1,000 on an assessed valuation of \$5,954,789,344 for a total diverted levy of \$650,000.

There is an additional conservation futures levy by the county for the purpose of acquiring open space, land, or rights to future development of land. The conservation futures levy for 2017 was \$0.0478949507 per \$1,000 on an assessed valuation of \$6,434,312,921 for a total conservation futures levy of \$308,171.

#### **NOTE 4 – INTERFUND LOANS AND ADVANCES**

San Juan County had no interfund loan activity during 2017. It did make one interagency loan, to the new Lopez Hospital District. The loan is required to be repaid in full by October 31, 2018.

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 1/1/2017</b>	<b>New Loans</b>	<b>Repay- ments</b>	<b>Balance 12/31/2017</b>
San Juan Public Hospital District #2	Current Expense	0	200,000	0	200000
<b>Totals</b>		<b>0</b>	<b>\$200,000</b>	<b>0</b>	<b>\$200,000</b>

#### **NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the County and summarizes the County's debt transactions for year ended December 31, 2017.

The debt service requirements for general obligation bonds and other debt as of the end of 2017, including both principal and interest, are as follows:

<b>Year(s)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2017</b>	3,490,886	580,483	4,071,370
<b>2018</b>	1,152,803	310,958	1,463,761
<b>2019</b>	793,232	272,229	1,065,461
<b>2020</b>	896,166	249,795	1,145,961
<b>2021</b>	834,498	219,905	1,054,403
<b>2022</b>	837,500	190,794	1,028,294
<b>2023-2027</b>	3,732,500	547,119	4,279,619
<b>2028-2032</b>	1,170,000	199,506	1,369,506
<b>2033-2036</b>	955,000	65,088	1,020,088
<b>Totals</b>	<b>13,862,585</b>	<b>2,635,877</b>	<b>16,498,462</b>

Prior to 2017, this table did not include promissory notes of the Land Bank. The loans were treated as installment sales, rather than as long-term debt. On guidance from the State Auditor's Office, payments on Land Bank promissory notes are included in the table of debt service requirements this year for the first time. Land Bank promissory notes tend to be short-term (two-three years), often with all interest paid at the end. This year's table includes debt service requirements for notes on four properties: Zylstra Lake and Lawson Ridge, both on San Juan Island and both paid off in 2017; the Clure (Parcel A) property on Lopez, payable in two payments in 2017 and 2018; and the Clure (Triangle C) property, also on Lopez, and payable in four payments in 2020-2023.

Because they are treated as installment sales, the Land Bank promissory notes are paid out of 594 (capital) BASUBs rather than out of 591/592 (debt service) BASUBs. For that reason, the payment amounts reported in Schedule 9 do not match expenditure amounts out of 591/592.

## **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.

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

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380 Olympia, WA 98540-8380

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

At June 30, 2017 (the measurement date of the plans), the county's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

<b>PLAN</b>	<b>Employer Contributions</b>	<b>Allocation %</b>	<b>DRS - Schedule of Collective Pension Amounts</b>	<b>Liability \$</b>
PERS 1	8,790	0.001461%	4,745,078,000	69,326
PERS 1 UAAL	610,693	0.101569%	4,745,078,000	4,819,528
PERS 2 and 3	784,179	0.128388%	3,474,522,000	4,460,869
Public Safety ERS 2	14,586	0.062512%	19,593,000	12,248
	<b>1,418,247.67</b>	<b><i>Total Net Pension Liabilities (Schedule 09)</i></b>		<b>9,361,971</b>
LEOFF 1		0.007270%	(1,517,220,000)	(110,302)
LEOFF 2	88,072.47	0.055752%	(1,387,676,000)	(773,657)
		<b><i>Net Pension Assets (do not net with the liabilities)</i></b>		<b>(883,959)</b>

The County also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent. San Juan County current has two LEOFF 1 retirees and no LEOFF 1 employees.

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

## **NOTE 7 – RISK MANAGEMENT**

San Juan County is a participating member of the Washington Counties Risk Pool (WCRP). Chapter 48.62 RCW authorizes the governing body of one or more governmental entities to join together for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed in August of 1988 when 15 counties in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 26 counties participate in the WCRP.

The Pool allows members to establish jointly a plan of self-insurance, and provides related services, such as risk management and claims administration. Members enjoy occurrence-based, jointly purchased and/or jointly self-insured liability coverage for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by a covered occurrence during an eligible period and occurring anywhere in the world. Total coverage limits are \$20 million per

occurrence and each member selects its occurrence deductible amount for the ensuing coverage year from these options: \$10,000, \$25,000, \$50,000, \$100,000, \$250,000 or \$500,000. For losses occurring in 2017, San Juan County selects a per-occurrence deductible of \$10,000.

Members make an annual contribution to fund the Pool. The Pool acquires reinsurance for further protection from larger losses, direct protection for the Pool and indirect for the member counties due to the contingent liabilities they would otherwise incur from risk-sharing those losses. The reinsurance agreements are written with self-insured retentions (“SIRs”) equal to the greater of the deductible for the member with the claim or \$100,000. More recent years’ reinsurance programs have included “corridor deductibles” with aggregated stop losses that have the effect of increasing the Pool’s SIR. For 2016-17, the “corridor” increased the SIR to \$2 million, with an aggregated stop loss of \$4.35 million. Other reinsurance agreements respond up to the applicable policy limits. Those reinsurance agreements contain aggregate limits for the maximum annual reimbursements to the Pool of \$40 million (lowest reinsured layer), \$20 million, (second layer), \$30 million (third layer) and \$50 million (final reinsured layer). Since the Pool is a cooperative program, there is a joint liability among the participating members.

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

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

During 2016-17, San Juan County was also one of twenty-six (26) counties that participated in the Washington Counties Property Program (WCPP). Property losses are covered under the WCPP to the participating counties’ scheduled buildings and contents, vehicles, mobile/contractor equipment, EDP and communication equipment, etc. The WCPP includes ‘All Other Perils (“AOP”)’ coverage limits of \$500 million per occurrence as well as Flood and Earthquake (catastrophe) coverages with separate occurrence limits, each being \$200 million. There are no AOP annual aggregate limits, but the flood and earthquake coverages include annual aggregate limits of \$200 million each. Each participating county is solely responsible for paying their selected deductible, ranging between \$5,000 and \$50,000. Higher deductibles apply to losses resulting from catastrophe-type losses.

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

The Pool is governed by a board of directors, which is comprised of one designated representative from each participating member. The Board of Directors generally meets three times each year with the Annual Meeting of the Pool being held in summer. The Board approves the extent of risk-sharing,

approves the Pool's self-insuring coverage documents, approves the selection of reinsurance and excess agreements, and approves the Pool's annual operating budget.

An 11-member executive committee is elected by and from the WCRP Board for staggered, 3-year terms. Authority has been delegated to the Committee by the Board of Directors to, a) approve all disbursements and 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, program deliverables, and the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) which develop or review/revise proposals for and/or recommendations to the association's policies and its coverages for the Board to consider and act upon.

During 2016-17, the WCRP's assets remained stable at \$46.8 million while its liabilities decreased slightly to \$28.6 million. The Pool's net position increased slightly from \$17.9 million to \$18.1 million. The Pool more than satisfies the State Risk Manager's solvency requirements (WAC 200.100.03001). The Pool is a cooperative program with joint liability amongst its participating members.

Deficits of the Pool resulting from any fiscal year are financed by reassessments of the deficient year's membership in proportion with the initially levied and collected deposit assessments. The Pool's reassessments receivable balance as of December 31, 2017 was zero (\$0). As such, there were no known contingent liabilities at that time for disclosure by the member counties.

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

## **NOTE 8 – OTHER DISCLOSURES**

Land Bank Budgeting of Cash. In the 2017 budget, San Juan County made a change in how cash is budgeted for the Land Bank. San Juan County, as a cash-basis entity, budgets beginning cash as a revenue and ending cash as an expenditure. Historically, the County has budgeted cash in the Conservation Area Fund and the Land Bank Stewardship & Management Fund as in the Current Expense Fund: with ending cash budgeted as a negative revenue, called "working reserve" or "operating cash," rather than as an expenditure. The Land Bank Commission decided for 2017 to start reporting ending cash as an expenditure, as do all other funds except Current Expense. The reason for the change is a desire for more clarity and transparency in reporting. Because of the change, the total Land Bank budget (for both funds) appears to be about \$10,000 greater than prior years. The difference is attributable to the reporting of ending cash as an expenditure, and not to any substantial increase in spending.

Losses on Housing Loans. San Juan County has a down payment assistance program, the purpose of which is to assist low-income first-time homebuyers get into their own homes. The program requires no payments, but on sale of the property, the homeowner must repay the principal plus a share of the equity growth of the property, or 10% interest per year compounded annually, whichever is more advantageous to the homeowner. In the past, rapidly escalating real estate prices resulted in some substantial interest payments. In light of current market conditions, the compounded interest option was reduced in 2016 to 5%, for future loans. In recent years, falling real estate prices have caused some loans to be repaid with no interest at all and, in some cases, have caused the County to lose the principal amount of the loan. The following losses have occurred in the last nine years, including two in 2015 and one in 2016:

<b>Loan Date</b>	<b>Loan Amount</b>	<b>Payment Received</b>	<b>Foreclosure or Short Sale</b>	<b>Date of Loss</b>	<b>Amount of Loss</b>
1/30/04	30,000	-	Foreclosure	7/23/08	30,000
6/30/06	42,500	-	Foreclosure	7/21/13	42,500
4/26/99	25,000	-	Foreclosure	8/19/13	25,000
6/14/07	23,180	17,611	Short Sale	10/10/14	5,569
6/15/2010	25,000	18,861	Short Sale	3/24/2015	6,139
8/16/2011	8,000	-	Short Sale	6/23/2015	8,000
6/8/2010	25,400	18,887	Short Sale	2/10/2016	6,513
<b>Total Losses</b>					<b>123,721</b>

Repayments of program loans go back into the Affordable Housing program to fund new loans, so these losses have reduced the County's capacity for new loans. Despite the losses, the County still has funds available and continues to make new down payment assistance loans.

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 that clarifies each party's mutual responsibilities with regard to shared and separate interests.

The County also shares ownership of the Orcas Senior Services Building. The County owns 49% of the property, buildings and improvements. The Senior Services Council of San Juan County, Inc. owns the other 51%. Through 2014, the Senior Council managed the building, and the County reimbursed 49% of the costs, plus an additional amount for overhead. In February of 2015, at the request of the Senior Council, the parties signed a new operating agreement that shifted management of the building to the County. At that time, the County formed a new Fund – Fund 169, Orcas Senior Services Building Fund – and deposited the joint operating funds into the new account. Now obligations of the shared operation are paid out of this fund, and the parties reimburse their share of the expenses, in proportion to their ownership share. In addition, the County deposited a \$10,000



“float” amount into the fund, to ensure that the fund balance remains positive until reimbursements are received. The \$10,000 remains the exclusive property of the County. Funds other than the \$10,000 belong half to the County and half to the Senior Services Council. The portion belonging to the Senior Services Council is reported as restricted fund balance.

Change in Beginning Cash and Reporting of Fund 611 – Section 125 Medical/Child Care. On San Juan County’s Fiduciary Fund Resources and Uses Arising from Cash Transactions report, for the Section 125 Medical/Child Care Fund 611, the County has historically reported the activities of both the County’s health care benefit programs and those of some of the special purpose districts in the county. Specifically, funds passed through Fund 611 for the County’s former Section 125 medical reimbursement program, the County’s COBRA and Health Savings Account plans, as well as for the Section 125 plans of the Orcas Library District, the San Juan Island Library District, and the Port of Friday Harbor. Beginning in 2016, fund 611 is being used exclusively for the County’s programs; therefore, the activities noted in fund 611 on the Fiduciary Fund Resources and Uses Arising from Cash Transactions report represent exclusively San Juan County programs. This change resulted in the 2016 beginning cash amount for Fund 611 being \$11,708 lower than the ending cash reported for 2015.

Related Party Transaction – Sale of Property from Land Bank to County. The San Juan County Conservation Area Fund (“Land Bank”) is a department of San Juan County funded by a real estate excise tax authorized by RCW 82.46.070 and SJCC 2.120. Its purpose is to acquire and maintain conservation areas throughout the County. In 2002, the Land Bank purchased four parcels (TPNs 351391425000, 351391424000, 351391426000 and 351391427000) on Argyle Avenue in the Town of Friday Harbor. The property was purchased for the purpose of conserving the historic neighborhood surrounding it. The Land Bank’s plan was always to resell the property encumbered with an historic preservation easement so that whatever was built on it would suit the character of the neighborhood. With property on San Juan Island finally recovered from the recession of 2007-2008, multiple buyers expressed interest in the property in 2017. The properties appraised, with the historic preservation easement attached, at \$725,000. Consistent with state law and County code, Council held a public hearing in which they decided to sell the properties by direct sell (Resolution 7-2018, 3/27/18). Stating a public policy desire to make the land available for development as affordable housing, the Council decided that the County would purchase the land from the Land Bank, using capital reserves, the source of which was general funds. The terms of the sale are a purchase price of \$725,000, with the Land Bank receiving \$250,000 initially (in 2018), and the balance over a 2-year period with 2.25% interest. The resolution to accept a quitclaim deed is recorded in Resolution 15-2018, 4/24/18. The sale will close after the historic covenant is applied by the Town. The County is already seeking proposals from developers to develop the properties into affordable housing.

Negative Fund Balance – MacKaye Harbor Water District. MacKaye Harbor Water District on Lopez Island ended 2017 with a negative fund balance because of expenses incurred in 2017 but paid in 2018, consistent with the Auditor’s 15-day “13<sup>th</sup> month” (Note 1(B)). The Auditor’s Office cuts warrants for district claims. Prior to cutting warrants, the standard procedure is to verify that the district has adequate funds available to cover the claims. When the District submitted claims for \$3,609.76 in January of 2018, there was enough cash to cover this claim. The District then sent in a revision that added \$2,838.37 to the batch, for a total of \$6,448.13. The revised amount put the District in a negative cash position, and the Deputy Auditor forgot to check cash again. When the error was caught, the County immediately communicated the problem to the District, and the District

immediately sold investments to cover the shortfall, but the transfer was not made until 2018, and the expenses were posted in fiscal year 2017.

Fund Balance Discrepancy – San Juan County Fire Protection District #5. The ending fund balances, as reported in the 2016 annual report, of two funds of the San Juan County Fire Protection District #5 (Fire 5) differ from the beginning fund balances as reported in the 2017 annual report. The changes resulted from a refunding of debt by the fire district. After the refunding, the new lender found that the district had a credit. Rather than refunding the credit, the lender applied the credits to the loan as of December 2016. The County never received the funds, but had to account for their use in 2016. Journal entries made in April of 2017 recognized the funds. The error was not remembering to amend the two ending fund balances for the 2016 annual report.

Fiduciary Activities. Washington State law requires counties to act as fiscal agent on behalf of special purpose districts. The resources collected and held for these districts in a custodial capacity were not previously required to be reported in the financial statements. Starting in fiscal year 2017, counties are required to report the custodial amounts in their financial statements. This requirement resulted in an increase of approximately \$50,000,000 in custodial deposits reported in the statement of *Fiduciary Fund Resources and Uses Arising from Cash Transactions* for the year ended December 31, 2017. In addition, these amounts are now required to be presented by fund type (fiduciary) rather than by individual fund.

Compensated Absences. Maximum accrual rates for vacation leave for members of AFSCME changed on January 1, 2018, because a new contract went into effect on that date. The liability for compensated absences was calculated, for purposes of Schedule 9, using the rates in effect at the end of 2017. For consistency, wages in effect for December 2017 were also used. Liability would be slightly higher if 2018 rates and wages were used.

Prior Period Adjustments. Two prior period adjustments were recorded in 2017. The only material adjustment was the refund of \$317,000 of matching funds that the County had contributed to the Cattlepoint Road Realignment Project completed in 2016. This refund was not anticipated and therefore not budgeted in 2017. It resulted in an increase in cash in the Roads Fund (112) of \$317,000. In addition, \$319.83 of Medicaid Administrative Match revenue had to be repaid following reconciliation of 2015 and 2016 grants. Because these were refunds of prior year revenue, they were classified as prior period adjustments rather than expenditures.

**San Juan County  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	2012 Refunding GO Bonds - Land Bank New	12/1/2026	830,000	-	75,000	755,000
251.11	2012 Refunding GO Bonds - Land Bank 2006 Defeasing	12/1/2026	1,605,000	-	145,000	1,460,000
251.11	2012 Refunding GO Bonds - Land Bank 2002 Refunded	12/1/2026	1,225,000	-	110,000	1,115,000
251.11	2012 Refunding GO Bonds - Parks	12/1/2020	235,000	-	55,000	180,000
251.11	2012 Refunding GO Bonds - Landfill Capital	12/1/2026	125,000	-	10,000	115,000
251.11	2004 GO Bonds - Cattle Point	12/1/2018	165,000	-	80,000	85,000
251.11	2004 GO Bonds - Road Fund	12/1/2018	241,935	-	119,107	122,828
251.11	2004 GO Bonds - ER&R Fund	12/1/2018	83,064	-	40,893	42,171
251.11	2002 GO Bonds - Sutton Road Property	12/1/2017	16,150	-	16,150	-
251.11	2002 GO Bonds - Beaverton Valley Rd Property	12/1/2017	68,850	-	68,850	-
251.11	2016 Refunding GO Bond - Land Bank	12/1/2036	3,470,000	-	85,000	3,385,000
251.11	2016 Refunding GO Bond - Carlson Building	12/1/2026	1,145,000	-	85,000	1,060,000
251.11	2016 Refunding GO Bond - Orcas Dock	12/1/2028	1,530,000	-	95,000	1,435,000
263.96	San Juan County Fair - Fairgrounds addition	12/1/2017	28,783	-	28,783	-
263.96	San Juan County Parks - Odlin Park Renovation	12/1/2021	65,000	-	10,000	55,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>10,833,782</b>	<b>-</b>	<b>1,023,783</b>	<b>9,809,999</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.99	Septic Revolving Loan - SEPTC, Loan # L1200013	6/30/2021	148,803	-	32,104	116,699
263.62	Land Bank Promissory Note - Zylstra Lake Purchase	12/15/2018	1,800,000	-	1,800,000	-
263.62	Land Bank Promissory Note - Lawson Ridge Purchase	9/9/2017	666,000	-	666,000	-
263.62	Land Bank Promissory Note - Clure Family Purchase	12/20/2018	-	270,000	135,000	135,000
263.62	Land Bank Promissory Note - Triangle C Purchase	6/1/2023	-	310,000	-	310,000
259.12	Compensated Absences - Governmental & Proprietary		1,082,015	116,616	-	1,198,631
263.22	Liabilities for Landfills Closure and Postclosure		561,294	-	232,743	328,551
264.30	Pension Liabilities		12,281,071	-	2,919,100	9,361,971

**San Juan County  
Schedule of Liabilities  
For the Year Ended December 31, 2017**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
263.12	Claims and judgments		-	-	-	-
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>16,539,183</b>	<b>696,616</b>	<b>5,784,947</b>	<b>11,450,853</b>
	<b>Total Liabilities:</b>		<b>27,372,965</b>	<b>696,616</b>	<b>6,808,730</b>	<b>21,260,852</b>

**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Department of Health)	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C17122	96,421	-	96,421	-
<b>SNAP Cluster</b>							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State University)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	128563_G0036 46	22,531	-	22,531	4
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State University)	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	132429_G0038 11	5,772	-	5,772	4
<b>Total SNAP Cluster:</b>				<b>28,303</b>	<b>-</b>	<b>28,303</b>	<b>-</b>
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA State Department of Health)	WIC Farmers' Market Nutrition Program (FMNP)	10.572	C17122	480	-	480	-
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via WA State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	15-1402P	42,793	-	42,793	4
Office of Community Planning and Development, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via 14.228)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17-62210.033	608	-	608	-

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

**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
BUREAU OF LAND MANAGEMENT, INTERIOR, DEPARTMENT OF THE	Challenge Cost Share	15.238	L16ACoo299	-	9,934	9,934	-	
U.S. FISH AND WILDLIFE SERVICE, INTERIOR, DEPARTMENT OF THE (via WA State Department of Ecology)	Coastal Wetlands Planning, Protection and Restoration	15.614	SEANCWCP- 2017-SJCoLB- 00005	985,000	-	985,000	-	
Office for Victims of Crime, JUSTICE, DEPARTMENT OF (via WA Department of Commerce)	Crime Victim Assistance	16.575	F16-31119-926	1,318	-	1,318	-	
Office for Victims of Crime, JUSTICE, DEPARTMENT OF (via WA Department of Commerce)	Crime Victim Assistance	16.575	S17-31119-032	37,054	-	37,054	-	4
Office for Victims of Crime, JUSTICE, DEPARTMENT OF (via WA Department of Commerce)	Crime Victim Assistance	16.575	S17-31102-525	40,994	-	40,994	-	4
<b>Total CFDA 16.575:</b>				<b>79,366</b>	<b>-</b>	<b>79,366</b>	<b>-</b>	
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via WA State Department of Commerce)	Violence Against Women Formula Grants	16.588	F16-31103-084	29,901	-	29,901	-	4
Bureau of Justice Assistance, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	OMB 1121- 0235	-	5,277	5,277	-	
<b>Highway Planning and Construction Cluster</b>								

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**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Department of Transportation)	Highway Planning and Construction	20.205	LA-8179	469,129	-	469,129	-
<b>Total Highway Planning and Construction Cluster:</b>							-
<b>Transit Services Programs Cluster</b>							
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB2105	22,614	-	22,614	4
<b>Total Transit Services Programs Cluster:</b>							-
<b>Highway Safety Cluster</b>							
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	16SH.015	1,553	-	1,553	-
<b>Total Highway Safety Cluster:</b>							-
REGION 10 (FUNDING OFFICE), ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	SEANWS-2016- SjCoPW-00002	52,935	-	52,935	4
REGION 10 (FUNDING OFFICE), ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	SEANWS-2017- SjCoPW-00001	12,345	-	12,345	4

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**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
REGION 10 (FUNDING OFFICE), ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Health)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C17122	40,711	-	40,711	4
REGION 10 (FUNDING OFFICE), ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2017-27	63,513	-	63,513	4
REGION 10 (FUNDING OFFICE), ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Fish and Wildlife)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	17-08279	3,013	-	3,013	4
<b>Total CFDA 66.123:</b>				<b>172,517</b>	<b>-</b>	<b>172,517</b>	
ASSISTANT ADMINISTRATOR FOR WATER, ENVIRONMENTAL PROTECTION AGENCY (via Puget Sound Partnership)	National Estuary Program	66.456	2018-13	5,373	-	5,373	4
<b>Clean Water State Revolving Fund Cluster</b>							
ASSISTANT ADMINISTRATOR FOR WATER, ENVIRONMENTAL PROTECTION AGENCY (via WA State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2017- SJCoHC-00164	14,053	-	14,053	
<b>Total Clean Water State Revolving Fund Cluster:</b>				<b>14,053</b>	<b>-</b>	<b>14,053</b>	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Department of Early Learning)	Special Education- Grants for Infants and Families	84.181	18-1019	15,938	-	15,938	4

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



**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA Department of Early Learning)	Special Education- Grants for Infants and Families	84.181	16-1028-02	9,911	-	9,911	-	4
<b>Total CFDA 84.181:</b>				<b>25,849</b>	<b>-</b>	<b>25,849</b>	<b>-</b>	
<b>Aging Cluster</b>								
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	180121-Ptools	4,000	-	4,000	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	17HC-003	7,200	-	7,200	-	
<b>Total Aging Cluster:</b>				<b>11,200</b>	<b>-</b>	<b>11,200</b>	<b>-</b>	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	Public Health Emergency Preparedness	93.069	C17122	9,766	-	9,766	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social & Health Services)	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1563-42492 & 1763-94268	82,189	-	82,189	-	

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

**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	Immunization Cooperative Agreements	93.268	C17122- Vaccines received in-lieu of cash	26,959	-	26,959	-	3
		93.268	C17122	5,791	-	5,791	-	
		Total CFDA 93.268:			32,750	-	32,750	-
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social & Health Services)	Child Support Enforcement	93.563	9963-42272	33,047	-	33,047	-	4
		93.563	0463-42396	84,652	-	84,652	-	4
Total CFDA 93.563:				117,699	-	117,699	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Medical Assistance Program	93.778	K1415	9,577	-	9,577	-	5. 6
		Total CFDA 93.778:			9,577	-	9,577	-

The accompanying notes are an integral part of this schedule.

**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Health Care Authority)	Medical Assistance Program	93.778	K771	4,750	-	4,750	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Northwest Regional Council)	Medical Assistance Program	93.778	17HC-003	3,384	-	3,384	-	
<b>Total Medicaid Cluster:</b>				<b>17,711</b>	<b>-</b>	<b>17,711</b>	<b>-</b>	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA Dept of Social & Health Services)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1563-42492 & 1763-94268	22,912	-	22,912	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA State Department of Health)	Maternal and Child Health Services Block Grant to the States	93.994	C17122	27,306	-	27,306	-	4
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via WA State Park and Recreation Commission)	Boating Safety Financial Assistance	97.012	3/1-9/30/17	16,108	-	16,108	-	

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

**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E17-099	14,059	-	14,059	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	E18-060	836	-	836	-	
<b>Total CFDA 97.042:</b>				<b>14,895</b>	<b>-</b>	<b>14,895</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Pre-Disaster Mitigation	97.047	E16-092	14,629	-	14,629	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E16-053	32,405	-	32,405	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-059	3,066	-	3,066	-	

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

**San Juan County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E16-180	30,687	-	30,687	19,331
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-124	87,092	-	87,092	-
<b>Total CFDA 97.067:</b>				<b>153,251</b>	<b>-</b>	<b>153,251</b>	<b>19,331</b>
<b>Total Federal Awards Expended:</b>				<b>2,494,375</b>	<b>15,211</b>	<b>2,509,585</b>	<b>19,331</b>

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

## **San Juan County**

### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2017**

**Note 1 – Basis of Accounting**

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

**Note 2 – Program Costs**

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

**Note 3 – Noncash Awards – Vaccinations**

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

**Note 4 – Indirect Cost Rate**

The County has not elected to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance. The amount claimed as indirect cost recovery was calculated using an approved indirect cost rate of 23 percent (where allowed).

**Note 5 – Medical Assistance Program**

The periods of April through December, 2016 had not been billed as of the submission of the 2016 SEFA. The billing formula is complex and dependent on various factors. San Juan County submits expenditure and revenue data using the web-based claiming system operated by Hansine Fisher, Associates. A draft invoice is produced and reviewed by Health Care Authority (HCA). Once the draft data is approved by HCA, San Juan County submits the A19 for payment. The 2017 SEFA includes CFDA#93.778 expenditures for the period April through June 2016, in the amount of \$9,577 that was not included in previous year reports. 2017 expenditures cannot be determined until the data review from HCA is complete.

**Note 6 – Prior Year Expense**

Total prior year expenditures reported on the 2017 SEFA are \$9,577. These are all CFDA#93.778 expenses from 2016 as noted in Note 5 above.



**F. Milene Henley, Auditor**  
**San Juan County**

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98250 (360) 378-2161

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**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED  
UNDER UNIFORM GUIDANCE**

**San Juan County**  
**January 1, 2017 through December 31, 2017**

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

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The County did not have adequate controls in place to ensure accurate reporting of fiduciary funds.
<b>Name, address, and telephone of County contact person:</b> Milene Henley, San Juan County Auditor 360.370.7558 350 Court Street, P.O. Box 685 Friday Harbor, WA 98250	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Training will be provided to employees involved in the financial statement process throughout the year using State Auditor's Office website, MRSC, and GFOA, as well as other training materials.</i>	
<b>Anticipated date to complete the corrective action:</b> <i>The County expects to have this training completed in time for the preparation of the 2018 financial statements.</i>	

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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