



San Juan County Annual Report

*For Fiscal Year Ended
December 31, 2011*

San Juan County Auditor
F. Milene Henley



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Message from the County Auditor

The office of the San Juan County Auditor prepares and submits annually to the State Auditor a series of reports which together comprise the County's annual report. Of these reports, some are relevant and of great interest to the citizens of the county (Sources and Uses of Funds, for example) and some are arcane and of little interest (Warrant Activity, for example). In addition, since no part of the report to the State Auditor, other than sections of the Notes to the Financial Statements, is a verbal description of the operations and finances of the County, the reports alone appear out of context and not particularly user-friendly.

This new format Annual Financial Report is an attempt to give a more complete verbal and numerical picture of the County's status in a form accessible to its citizens. In addition to many of the "schedules" submitted to the State Auditor, it includes some bonus reports of interest, as well as background on the County, its officers, and significant recent events, particularly those of a financial nature.

I would like to acknowledge the hard work and professionalism of Chief Accountant Rhonda Pederson and Chief Deputy Auditor José Domenech, who prepared the reports to the State Auditor.



I welcome you, the citizens of the county, to offer feedback and comments on this new format, as well as suggestions for making it more useful and more informative.

A handwritten signature in black ink that reads "F. Milene Henley". The signature is fluid and cursive, with a large loop at the end of the last name.

F. Milene Henley,
San Juan County Auditor

About San Juan County



San Juan County

San Juan County is an all-island county in the northwest corner of Washington State. According to the US Geological Service, San Juan County coincides with the islands of the San Juan archipelago. Established in 1873, the county consists of approximately 175 named islands, and hundreds more unnamed islands. San Juan is the smallest in area of Washington's 39 counties with approximately 175 square miles of land area, and had a population, as of the 2010 census, of 15,769.

The largest islands in the county are San Juan, Orcas, Lopez, and Shaw, all of which are served by Washington State Ferries. The county seat is Friday Harbor, located on San Juan Island.

Major industries of San Juan County include tourism, construction, and agriculture and fishing.

San Juan County became a home rule charter county in 2006. Currently, six Council members representing six districts of approximately equal population govern the County, aided by an appointed County Administrator. Other elected officials include Assessor, Auditor, Clerk, Prosecutor/Coroner, Treasurer and Sheriff, plus District and Superior Court judges.

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



Statistical Information

Population (estimated for 2011) 15,900

Registered voters as of November, 2008 11,627
 2009 11,547
 2010 11,594
 2011 11,574

Number of employees (full-time equivalents)

<u>Authorized Staffing Levels</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund (except Sheriff)	117.8	101.6	102.5	98.4
Grants Fund	17.7	18.4	17.9	16.5
Sheriff / E-911 / Emerg Mgt	39.1	35.7	36.4	35.4
Public Works	65.0	67.2	68.3	56.2
Other Special Revenue Funds	<u>17.0</u>	<u>17.1</u>	<u>18.1</u>	<u>18.1</u>
Total	256.7	239.9	243.1	224.6

Assessment data*

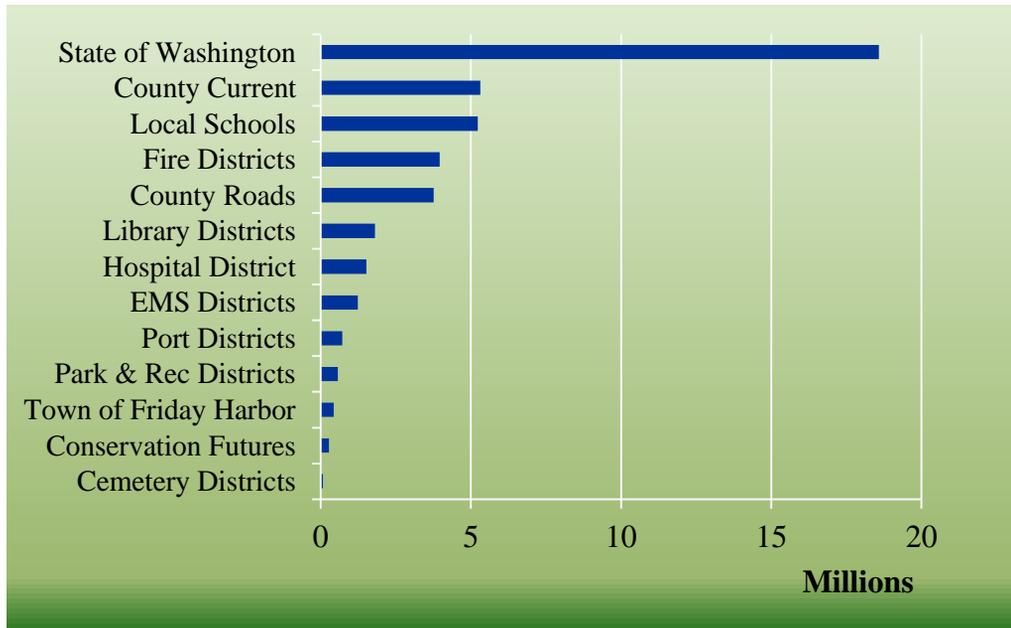
<u>Property Type</u>	<u># of Parcels</u>	<u>% of Total</u>	<u># of Acres</u>	<u>% of Total</u>	<u>\$ Valuation</u>	<u>% of Total</u>
Real Estate at Fair Mkt Value	17,644	87.7%	59,510	53.2%	7,965,561,282	98.8%
Current Use Parcels	709	3.5%	16,120	14.4%	92,918,050	1.2%
Designated Forest Land	<u>496</u>	<u>2.5%</u>	<u>15,313</u>	<u>13.7%</u>	<u>1,232,560</u>	<u>0.0%</u>
Total Taxable	18,849	93.7%	90,943	81.3%	8,059,711,892	100.0%
Exempt Parcels	<u>1,264</u>	<u>6.3%</u>	<u>20,927</u>	<u>18.7%</u>		<u>0.0%</u>
Total Real Estate	20,113	100.0%	111,870	100.0%	8,059,711,892	100.0%
Personal Property					<u>76,787,440</u>	
Total Taxable Valuation					8,136,499,332	

* Data is from the Assessor's "Statement of 2010 Assessments and Taxes to be collected in 2011"

Distribution of Taxes*

San Juan County 2011 Levy Distributions

<u>Taxing Districts</u>	<u>2011 Taxes</u>	<u>% of Total</u>
State of Washington	18,579,398	42.8%
County Current	5,311,011	12.2%
Local Schools	5,227,481	12.0%
Fire Districts	3,961,335	9.1%
County Roads	3,754,838	8.6%
Library Districts	1,802,804	4.1%
Hospital District	1,517,637	3.5%
EMS Districts	1,230,443	2.8%
Port Districts	717,008	1.7%
Park & Rec Districts	567,891	1.3%
Town of Friday Harbor	430,972	1.0%
Conservation Futures	277,206	0.6%
Cemetery Districts	75,945	0.2%
Total	43,453,969	100.0%



* Data is from the Assessor's "Statement of 2010 Assessments and Taxes to be collected in 2011"

Officers of San Juan County



Elected Officials - Governance

San Juan County is governed by six elected Council members representing districts of approximately equal population.



Lovel Pratt, Chair
District 1, SJ South
First elected 2008
Current term ends 2012



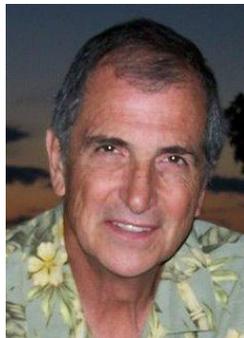
Patty Miller, Vice-Chair
District 5, Orcas East
First elected 2010
Current term ends 2014



Rich Peterson
District 2, SJ North
First elected 2006
Current term ends 2014



Howie Rosenfeld
District 3, Friday Harbor
First elected 2006
Current term ends 2012



Richard Fralick
District 4, Orcas West
First elected 2008
Current term ends 2012



Jamie Stephens
District 6, Lopez/Shaw
First elected 2010
Current term ends 2014

Elected Officials - Finance

Charles Zalmanek, Assessor
First elected 2006
Current term ends 2014

The Assessor is responsible for valuing real and personal property for property tax assessment, for managing current use programs to preserve special classes of land, and for maintaining the County parcel map.



F. Milene Henley, Auditor
First elected 2006
Current term ends 2014

The Auditor is responsible for the accounting functions of the County: payables, payroll, fixed assets, and financial reporting; for recording deeds and other documents; for vehicle and vessel licensing; and for running elections.

Jan Sears, Treasurer
First elected 2006
Current term ends 2014

The Treasurer serves as Ex Officio Treasurer for the County and all other junior taxing and school districts in the County. She is also responsible for collecting taxes, for cash management, for investments, and for tracking delinquent property taxes and foreclosing if necessary.



Elected Officials - Law & Justice



Donald Eaton,
Superior Court Judge
First appointed 2010
Current term ends 2012



Stewart Andrew,
District Court Judge
First elected 1998
Current term ends 2014



Randy Gaylord,
Prosecuting Attorney/
Coroner
First elected 1994
Current term ends 2014



Joan White,
County Clerk
First elected 2006
Current term ends 2014



Rob Nou, Sheriff
First elected 2010
Current term ends 2014



Administration

Since the adoption of the County Charter in 2005, San Juan County has had an appointed County Administrator who reports to the County Council and manages the appointed department heads.



Pete Rose
County Administrator
Appointed July 2006
Served through June 8, 2012



Administration

Administrative Department Heads

Administration

Deputy Director of Administration
Human Resources Manager
Clerk of the Council

David Kelly
Pamela Morais
Ingrid Gabriel

Public Works

Public Works Director

Frank Mulcahy

Community Services

Health Officer
Director of Health and
Community Services
Director of Community
Development and Planning
Director of Parks and Fair
Land Bank Director
WSU Extension Agent

Frank James, M.D.

John Manning

René Beliveau
Dona Wuthnow
Lincoln Bormann
Tom Schultz

Courts

District Court Administrator
Juvenile Court Administrator

Mellissa Derksema
Tom Kearney



Significant Events of 2011



Redistricting

Every ten years the US government conducts a national census of the population. Data collected in the decennial year is used in the following year to re-draw legislative districts to reflect changes in population.

San Juan County Council Districts prior to 2012 were set by the County Charter. Adopted in 2005, the Charter also increased the number of districts from 3 to 6. The crafters of the Charter used existing precincts to create districts as close to equal as they could. Unfortunately, the resulting precincts were not very even. Using 2010 census data, they ranged in size from 2,157 in District 3 (Friday Harbor) to 3,072 in District 4 (Orcas West).

The 2011 redistricting effort was the County's first real opportunity to correct this initial uneven distribution. The Council appointed a six-person Districting Committee in April. The committee's instructions included compliance with the following state guidelines:

- Districts are as nearly equal in population as possible.
- Districts are as compact as possible.
- Districts are geographically contiguous.
- Districts may not be drawn in such a way as to favor any political or racial group.
- To the extent feasible, district boundaries should coincide with natural borders and preserve communities of "related and mutual interest."

The final district plan recommended by the Districting Committee accepted less than exactly equal populations in exchange for preserving communities. The biggest changes it made were shifting Blakely Island from

District 6 (Lopez/Shaw) to District 5 (Orcas East), with which it shares a school district, and shifting the Turn Point/Pear Point neighborhoods of San Juan Island from District 2 (San Juan North) to District 3 (Friday Harbor).



District	Population (2010 Census)	
	Old Districts	New Districts
District 1, San Juan So.	2604	2551
District 2, San Juan No.	2,901	2,548
District 3, Friday Harbor	2,157	2,563
District 4, Orcas West	3,072	2,700
District 5, Orcas East	2,282	2,687
District 6, Lopez/Shaw	2,753	2,720
Total	15,769	15,769

Charter Review Commission

In 2004, twenty-one San Juan County voters were elected as “Freeholders” to write a new home rule charter for San Juan County. The proposed Charter included a structure which was markedly different from the three-commissioner model set by state statute. In two resolutions – one for a “basic” charter and one amending the basic charter to increase the number of Council members – it proposed a six-member Council representing six Council districts of approximately equal population, to be aided by a County Administrator appointed by the Council. Both resolutions were adopted by the voters in the general election of 2005, and in 2006 a new County structure began to take form.

The Charter called for periodic review of itself “to determine its adequacy and suitability to the needs of the County.” The first Charter Review Commission (CRC) was to be elected five years after the adoption of the original charter. In November of 2011, twenty-one San Juan County voters were once again elected. As of this writing, the CRC has been meeting almost weekly for several months, and will soon be proposing amendments to the Charter. Proposed amendments are expected to include a proposal to return to three “whole-island” districts with representatives elected in county-wide elections, and a proposal to reduce the role of the Administrator.

The recommendations of the Charter Review Commission will be voted on by the people in the general election of November 6, 2012. The results could once again alter the governance structure of San Juan County.



Solid Waste Ballot Measure

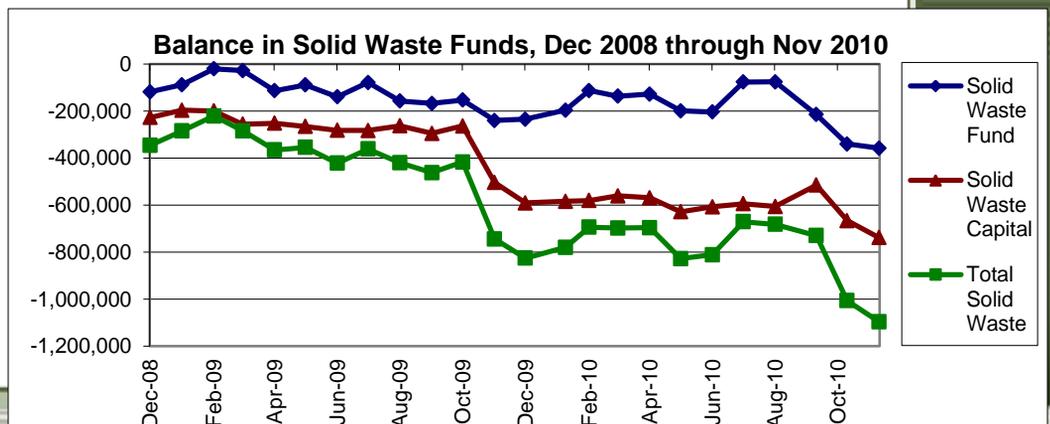
In 2010, San Juan County received a financial finding on its 2009 annual audit, in part because of negative cash balances in multiple funds. The largest and longest-lasting negative fund balance was in the combined Solid Waste Funds. San Juan County's Solid Waste Funds had been running negative cash balances since the end of 2008, and continued to do so until Council authorized \$1,000,000 of interfund loans to the funds in December of 2010.

The Solid Waste Funds had been running in the red for multiple reasons. Significant capital expenditures had been incurred in the search for a new San Juan Island transfer station site. The volume of garbage had dropped dramatically with the decline in local building. Even before 2008, it had been apparent that revenues from operations were inadequate to sustain both capital and operating expenses of the utility.

The County Council committed in 2011 to either finding an alternate source of stable funding for Solid Waste, or reducing operations to a sustainable level. After a months-long study of Solid Waste operations and finances, the Solid Waste subcommittee recommended that a parcel-based user charge to support Solid Waste capital and operations be put to the voters.

The ballot measure failed in November of 2011. As a result, the County is currently in the process of winding down Solid Waste operations, with the goal of being out of the solid waste business by the end of 2012. Options for route-collected systems, for operation of solid waste facilities by external entities, and for the creation of a subsidiary Solid Waste Disposal District on Lopez Island are all being considered.

In order to pay back the \$800,000 of interfund loans to Solid Waste which remained as of the beginning of 2012, the County issued a bond in May of 2012. Bond payments over the next fifteen years will be paid out of the proceeds of solid waste excise taxes collected by route collectors or other service providers.



Employee Benefits

Two employee benefits-related changes were made in 2011 which will help to shape the County's budget for the coming years.

A position classification study was completed in 2011. The purpose of the study was to update compensation ranges for all positions in the County except for Sheriff's Guild members and elected officials. An outside human resources consulting firm was used to conduct the study, which involved compiling detailed job descriptions of all positions to be classified and comparing them to other positions within the County as well as to similar positions in other organizations. Such a study is appropriate from time to time to ensure that the County is paying reasonable market wages for the skilled workforce we require.

Also in 2011, the County, with concurrence by both the Sheriff's Guild and AFSCME Local 1849, changed its health insurance plan from a traditional, low-deductible comprehensive plan to a less expensive, high-deductible comprehensive plan. The change reduced the cost of health insurance to both the County and the employees. To make up for the higher deductible, the County also agreed to fund Health Savings Accounts (HSAs) or comparable savings accounts for all employees on the health plan.

Both the classification study and the new medical plan will be implemented in 2012. The medical plan went into effect in January. Employees will migrate to their new wages, based on the classification study results, for the August payroll. The combined savings, county-wide, is budgeted at about \$200,000 for 2012.



Sustainable Budget

San Juan County has been through four years of continuous, sometimes severe, budget cutting. Our citizens have shared the pain, enduring service reductions in many areas of the County, from reduced counter time in vehicle licensing to less frequent road shoulder mowing. They also voted, by a significant majority, to increase property taxes beginning in 2010 in order to save many valued but non-mandated services. Staff have also contributed, through furlough days, reduced or eliminated cost of living increases, and reductions in health insurance benefits.

Despite the cuts, we still have not achieved a truly sustainable budget. A sustainable budget is one in which expected, or "normal," revenue increases and expected, or "normal," increases in costs are in balance.

The County Council has made a sustainable budget a top priority. Beginning in 2011 and continuing into 2012, the Council, led by the Budget Subcommittee, is looking at ways to "re-design county government to match fiscal realities." Everything is on the table, as the subcommittee takes a four-pronged approach which will consider revenues, expenditures, priorities and public input.

In the expenditures arena, the Council is looking more closely at the relationship between revenues and expenditures, identifying which programs are externally funded and which are paid for largely, if not entirely, by local tax dollars. It will also consider ways to reduce costs by consolidation or elimination of services.

The Council is also looking at revenue, to ensure that we fully understand all options. The only two significant revenue increases available to the County are the public safety sales tax and property tax increases, both of which require voter approval. In recommending either, the Council will be mindful of both the potential harm and the potential benefits to economic development of increased taxes.

Program budgets which present revenue and expenditures not from a departmental view, but from a program or level-of-service view, will help the Council to identify priorities in budget planning. A six-year forecasting tool is helping it to analyze the effects of different priorities.

Communication with the public throughout the process will be a key determinant of whether the sustainable budget project succeeds or fails.

The achievement of a sustainable budget will remain a priority through 2012 and beyond.

Financial Reports



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Financial Summary

San Juan County, like most local communities, has suffered from the effects of the 2008-2009 recession. Tourism has lagged, both real estate sales and new construction have sharply declined, foreclosures have escalated, investment income has dropped, and many people have lost employment.

With the effects on the local community, County government has suffered, as well. Real estate excise taxes, sales taxes, interest income, planning and permitting revenues, and charges for all kinds of other services have decreased with the trickle-down effect of the economic downturn. The slow recovery since 2009 has driven both the community and the government to re-define "normal." Within County government, decreased revenue has resulted in multiple layoffs and reduced service levels. After a promising sales tax uptick in 2010, 2011 sales tax dropped again, causing yet another – though small in comparison to previous ones – mid-year budget correction.

Nonetheless, as of the end of 2011, the general fiscal health of San Juan County was pretty good. To the Council's credit, the County has responded quickly and on an ongoing basis to changing economic conditions. A government's fiscal health is measured largely by its bank account. Although fund balance in the County's general fund dropped sharply after 2007, the Council has held the line on maintaining adequate reserves on hand to conduct business. At a time when many counties are routinely borrowing operating funds, San Juan County has maintained close to the recommended 10% (of expenditures) operating cash reserve. It has also made required contributions to capital reserves and increased reserve levels in some other funds.

On the revenue side, in addition to the disappointing sales tax revenue, 2011 revenue from permitting and planning services also failed to meet expectations. Nonetheless, an increase in building applications received in the final quarter of the year holds promise for 2012.

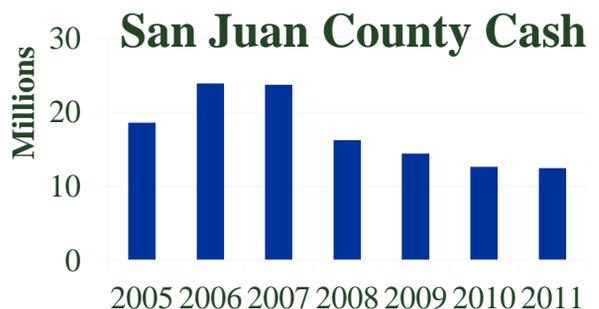
No expenditures exceeded appropriations in 2011.

Details on cash, revenue and expenditures may be found in the reports on the following pages.

Average Annual Unemployment SJ County*

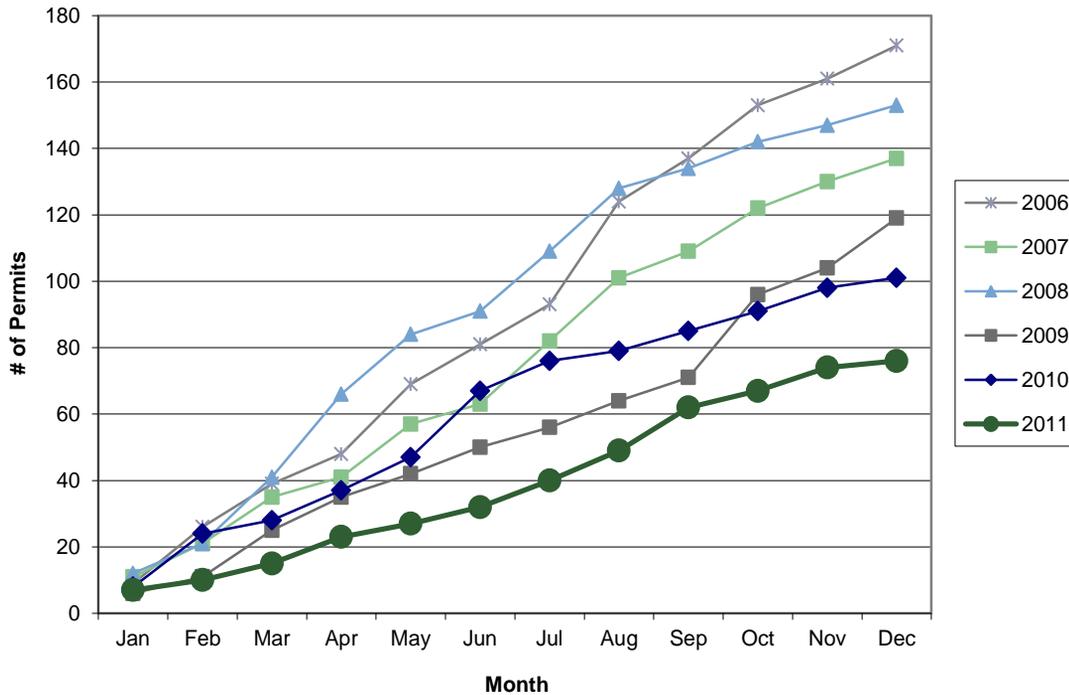
(*from WA State Employment Security Department)

2007	3.45%
2008	3.74%
2009	6.73%
2010	7.33%
2011	7.18%



Building Permits Issued, 2006-2011

Single-Family Residence Permits Issued, 2006-2011



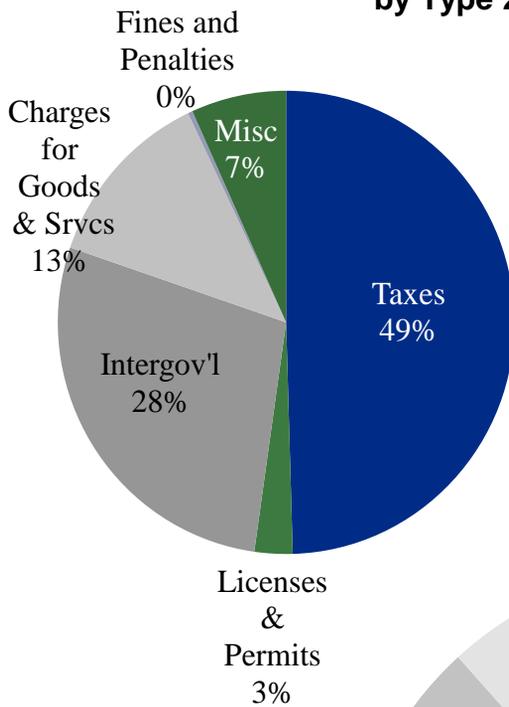
Schedule C-4 - Sources and Uses of Cash, All County Funds

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

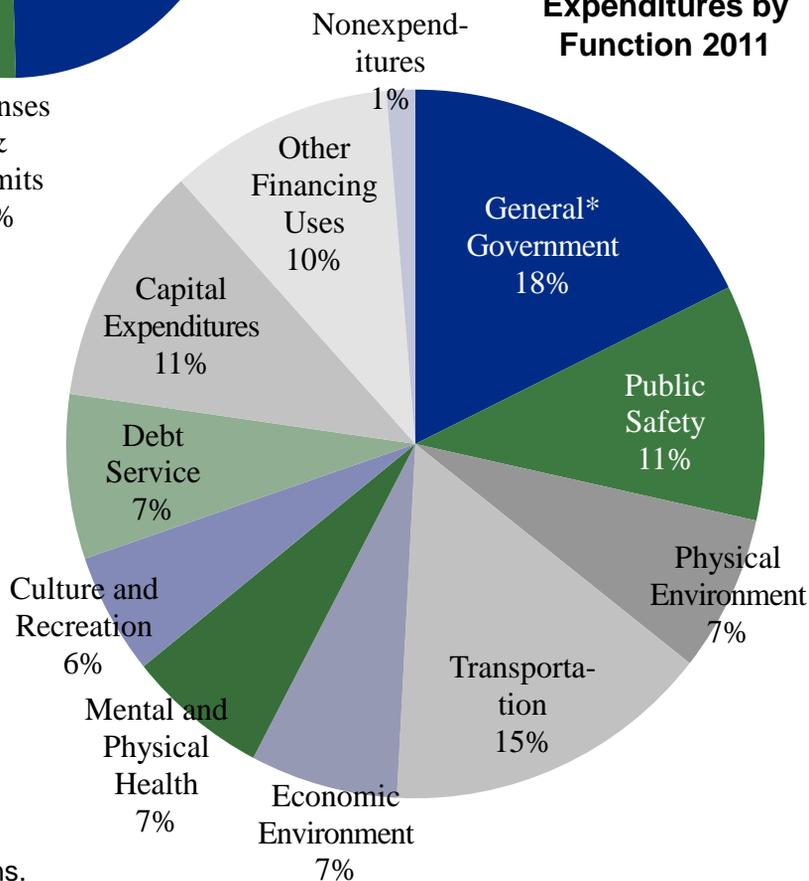
BARS CODE		Total for All Funds
Beginning Cash and Investments		
308.10	Reserved	\$10,490,543
308.80	Unreserved	2,184,888
	Prior Period Adjustments (388.80 and 588.80)	0
Revenues and Other Sources		
310	Taxes	17,153,124
320	Licenses and Permits	931,854
330	Intergovernmental	9,700,231
340	Charges for Goods & Services	4,392,717
350	Fines and Penalties	115,331
360	Miscellaneous	2,333,013
370	Capital Contributions	0
390	Other Financing Sources	5,164,719
Total Revenues and Other Financing Sources		39,790,989
		Total Resources 52,466,420
Operating Expenditures		
510	General Government	7,164,345
520	Public Safety	4,349,802
530	Physical Environment	2,889,569
540	Transportation	6,158,640
550	Economic Environment	2,763,658
560	Mental and Physical Health	2,634,690
570	Culture and Recreational	2,247,416
Total Operating Exps		28,208,120
591-593	Debt Service	3,035,899
594-595	Capital Expenditures	4,462,644
598	Other Expenditures	0
Total Expenditures		35,706,663
596-599	Other Financing Uses	4,195,145
Total Expenditures and Other Financing Uses		39,901,808
Excess (Deficit) of Resources Over Uses		12,564,612
380	Nonrevenues (Except 384)	484,433
580	Nonexpenditures (Except 584)	537,093
Ending Cash and Investments		
508.10	Reserved	9,514,049
508.80	Unreserved	2,997,903

2011 County Revenues & Expenditures by Type

County-Wide Revenue by Type 2011



County-Wide Expenditures by Function 2011



* "General" Government includes legislative, administrative, financial, legal and judicial functions.

Schedule C-4 - Sources and Uses of Cash, by County Fund

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

BARS CODE	Fund #	001	102	104	109	110
	Fund Name	Current Expense	SJC Conservation	Noxious Weed	Parks	Treasurer's M&O
Beginning Cash and Investments						
308.10	Reserved	\$103,153	\$5,466,746	\$60,717	\$17,415	\$3,735
308.80	Unreserved	2,057,536			119,775	
	Prior Period Adjustments (388.80 and 588.80)					
Revenues and Other Sources						
310	Taxes	10,002,308	1,485,375			
320	Licenses and Permits	880,404				
330	Intergovernmental	3,844,851	557,583	139	89,553	
340	Charges for Goods & Services	778,128			174,853	4,872
350	Fines and Penalties	110,554				
360	Miscellaneous	128,415	39,360	137,485	363,255	
370	Capital Contributions					
390	Other Financing Sources	301,802	87,522		721,006	
Total Revenues and Other Financing Sources		16,046,462	2,169,841	137,624	1,348,668	4,872
Total Resources		18,207,151	7,636,587	198,341	1,485,858	8,607
Operating Expenditures						
510	General Government	6,451,984				125
520	Public Safety	4,161,618				
530	Physical Environment	561,885		102,776		
540	Transportation					
550	Economic Environment	1,928,450				
560	Mental and Physical Health	2,041,785				
570	Culture and Recreational	175,454	675,840		1,394,123	
Total Operating Exps		15,321,176	675,840	102,776	1,394,123	125
591-593	Debt Service	2,160	2,115,686		29,742	
594-595	Capital Expenditures	73,357	657,551		4,607	
598	Other Expenditures					
Total Expenditures		15,396,693	3,449,077	102,776	1,428,472	125
596-599	Other Financing Uses	459,174	1,400	356	3,694	
Total Expenditures and Other Financing Uses		15,855,867	3,450,477	103,132	1,432,166	125
Excess (Deficit) of Resources Over Uses		2,351,284	4,186,110	95,209	53,692	8,481
380	Nonrevenues (Except 384)	0	0			
580	Nonexpenditures (Except 584)	17,000	0			
Ending Cash and Investments						
508.10	Reserved	173,696	4,186,110	95,209	9,481	
508.80	Unreserved	2,160,588	0	0	44,211	8,481

Schedule C-4 - Sources and Uses of Cash, by County Fund

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

BARS CODE	Fund #	111	112	119	121	122
	Fund Name	Dog License	County Roads	Enhanced 911	Multipurpose Facilities	Lodging Tax
Beginning Cash and Investments						
308.10	Reserved	\$5,109	\$140,976	\$42,598	\$80,739	\$103,800
308.80	Unreserved					
	Prior Period Adjustments (388.80 and 588.80)					
Revenues and Other Sources						
310	Taxes		3,236,322	173,720	383,428	383,428
320	Licenses and Permits	18,798	32,653			
330	Intergovernmental		4,223,169	23,893		
340	Charges for Goods & Services		35,252			
350	Fines and Penalties					
360	Miscellaneous	19	44,909	220		
370	Capital Contributions					
390	Other Financing Sources		67,559			
Total Revenues and Other Financing Sources		18,817	7,639,863	197,833	383,428	383,428
Total Resources		23,926	7,780,839	240,431	464,167	487,228
Operating Expenditures						
510	General Government		132,967			
520	Public Safety			188,184		
530	Physical Environment	18,920				
540	Transportation		5,121,711			
550	Economic Environment				151,863	373,502
560	Mental and Physical Health					
570	Culture and Recreational					
Total Operating Exps		18,920	5,254,679	188,184	151,863	373,502
591-593	Debt Service		391,182			
594-595	Capital Expenditures		1,755,684			
598	Other Expenditures					
Total Expenditures		18,920	7,401,545	188,184	151,863	373,502
596-599	Other Financing Uses		43,765	54,175	187,383	3,834
Total Expenditures and Other Financing Uses		18,920	7,445,310	242,359	339,245	377,336
Excess (Deficit) of Resources Over Uses		5,006	335,529	(1,928)	124,922	109,892
380	Nonrevenues (Except 384)					
580	Nonexpenditures (Except 584)					
Ending Cash and Investments						
508.10	Reserved	5,006	335,529	(1,928)	124,922	109,892
508.80	Unreserved	0	0	0	0	0

Schedule C-4 - Sources and Uses of Cash, by County Fund

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

BARS CODE	Fund #	125	126	127	128	192
	Fund Name	Auditor Document Preservation	Capital Improvement	Crime Victims	Mental Health Fund	Other Grants & Septic Loans
Beginning Cash and Investments						
308.10	Reserved	\$146,763	\$49,587	\$18,999	\$314,240	\$331,053
308.80	Unreserved					
	Prior Period Adjustments (388.80 and 588.80)					
Revenues and Other Sources						
310	Taxes		459,674		367,349	
320	Licenses and Permits					
330	Intergovernmental	45,608	5,804		387,682	
340	Charges for Goods & Svcs	16,581		7,097		500
350	Fines and Penalties			4,777		
360	Miscellaneous	2,194	26		237	9,318
370	Capital Contributions					
390	Other Financing Sources		123,000			93,568
Total Revenues and Other Financing Sources		64,383	588,505	11,874	755,268	103,386
Total Resources		211,146	638,092	30,873	1,069,508	434,439
Operating Expenditures						
510	General Government	64,221				
520	Public Safety					
530	Physical Environment					
540	Transportation					
550	Economic Environment					117,000
560	Mental and Physical Health				592,906	
570	Culture and Recreational	2,000				
Total Operating Exps		66,221	0	0	592,906	117,000
591-593	Debt Service		1,128			103,917
594-595	Capital Expenditures		41,250			5,371
598	Other Expenditures					
Total Expenditures		66,221	42,378	0	592,906	226,288
596-599	Other Financing Uses	20,371	317,283			241,196
Total Expenditures and Other Financing Uses		86,592	359,661	0	592,906	467,485
Excess (Deficit) of Resources Over Uses		124,554	278,431	30,873	476,603	(33,046)
380	Nonrevenues (Except 384)				100,000	
580	Nonexpenditures (Except 584)		100,000			
Ending Cash and Investments						
508.10	Reserved	124,554	178,431	30,873	576,603	208,151
508.80	Unreserved	0	0	0	0	0

Schedule C-4 - Sources and Uses of Cash, by County Fund

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

BARS CODE	Fund #	196	196	197	200
	Fund Name	Public Facilities Improvement	Affordable Housing	Criminal Justice	Bond Redemption
Beginning Cash and Investments					
308.10	Reserved	\$407,198	\$194,718	\$108,470	\$131,296
308.80	Unreserved				
	Prior Period Adjustments (388.80 and 588.80)				
Revenues and Other Sources					
310	Taxes	332,571			
320	Licenses and Permits				
330	Intergovernmental		91,832	166,299	
340	Charges for Goods & Services		137,855		
350	Fines and Penalties				
360	Miscellaneous	2,674	2,129	24	219
370	Capital Contributions				
390	Other Financing Sources				2,934,073
Total Revenues and Other Financing Sources		335,245	231,816	166,323	2,934,292
Total Resources		742,443	426,534	274,793	3,065,588
Operating Expenditures					
510	General Government		69,631		
520	Public Safety				
530	Physical Environment				
540	Transportation				
550	Economic Environment	70,380	122,463		
560	Mental and Physical Health				
570	Culture and Recreational				
Total Operating Exps		70,380	192,094	0	0
591-593	Debt Service				279,152
594-595	Capital Expenditures				
598	Other Expenditures				
Total Expenditures		70,380	192,094	0	279,152
596-599	Other Financing Uses	1,451		160,790	2,687,291
Total Expenditures and Other Financing Uses		71,831	192,094	160,790	2,966,443
Excess (Deficit) of Resources Over Uses		670,612	234,440	114,003	99,145
380	Nonrevenues (Except 384)	217,000			
580	Nonexpenditures (Except 584)				
Ending Cash and Investments					
508.10	Reserved	647,866	232,989	114,003	99,145
508.80	Unreserved	0	0	0	0

Schedule C-4 - Sources and Uses of Cash, by County Fund

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

BARS CODE	Fund #	401	415	501	502
	Fund Name	Solid Waste	Stormwater	Equipment Rental	Information Services
Beginning Cash and Investments					
308.10	Reserved	\$111,573	\$315,671	\$2,335,987	
308.80	Unreserved				7,577
	Prior Period Adjustments (388.80 and 588.80)				
Revenues and Other Sources					
310	Taxes	328,949			
320	Licenses and Permits				
330	Intergovernmental	102,053	161,764		
340	Charges for Goods & Services	2,063,207	397,582	262,796	513,994
350	Fines and Penalties				
360	Miscellaneous	608		1,601,860	59
370	Capital Contributions				
390	Other Financing Sources	649,161		187,029	
Total Revenues and Other Financing Sources		3,143,977	559,346	2,051,685	514,054
Total Resources		3,255,550	875,017	4,387,672	521,631
Operating Expenditures					
510	General Government				445,416
520	Public Safety				
530	Physical Environment	2,086,516	119,471		
540	Transportation			1,036,929	
550	Economic Environment				
560	Mental and Physical Health				
570	Culture and Recreational				
Total Operating Exps		2,086,516	119,471	1,036,929	445,416
591-593	Debt Service	50,947		61,984	
594-595	Capital Expenditures	229,600	409,365	1,268,118	17,741
598	Other Expenditures				
Total Expenditures		2,367,063	528,836	2,367,030	463,157
596-599	Other Financing Uses	3,386	322	8,489	786
Total Expenditures and Other Financing Uses		2,370,449	529,158	2,375,519	463,943
Excess (Deficit) of Resources Over Uses		885,101	345,859	2,012,153	57,688
380	Nonrevenues (Except 384)			167,433	
580	Nonexpenditures (Except 584)	367,443		52,650	
Ending Cash and Investments					
508.10	Reserved	517,658	345,859	1,400,000	
508.80	Unreserved	0	0	726,936	57,688

2011 Expenditures by Department & Fund

<u>Dept #</u>	<u>Fund/Department Name</u>	<u>Actual Exps</u>
00	General	0
13	County Administration	627,414
16	Assessor	687,898
19	Auditor	657,242
22	Board of Equalization	13,185
25	Facilities	488,719
28	Civil Service	15,004
31	Clerk	326,638
34	County Council	476,065
37	Dispatch	676,418
40	Community Development & Planning	1,275,889
43	WSU Extension	175,249
46	District Court/Probation	644,550
49	Election Reserve	190,606
52	General Administration	1,036,635
55	Health & Community Services	1,253,144
58	Jail	272,526
61	Juvenile Court	358,089
64	Law Library	25,277
67	Operating Transfers	309,467
73	Prosecuting Attorney/Coroner	948,144
76	Sheriff	2,376,889
82	Superior Court	177,058
85	Treasurer	339,034
Total	County Current - General	13,351,141
43	WSU Extension	205
55	Health & Community Services Grants	1,385,432
61	Juvenile Court Grants	99,436
70	Planning Grants	537,002
71	Emergency Management Grants	138,659
73	Prosecutor Grants	206,437
76	Sheriff Grants	142,949
Total	Grants Fund - General	2,510,119
	Total General Fund	15,861,260

2011 Expenditures by Department & Fund

Fund #	Fund Name	Actual Exps
0003	Budget Stabilization Fund	0
1021	SJC Conservation Area Fund	3,221,664
1031	Land Bank Stewardship & Management	406,097
1041	SJC Noxious Weed Control	103,132
1051	Veterans' Assistance	22,167
1071	SJC Dept of Emergency Management	105,760
1091	San Juan County Parks	1,432,166
1101	Tax Sale Expense	125
1111	Dog License	18,920
1121	County Roads	7,445,310
1191	Enhanced 911	242,359
1211	Multipurpose Facilities Fund	339,245
1221	Lodging Tax Fund	377,336
1251	Auditor Document Preservation	86,592
1261	Capital Improvement Fund	459,661
1271	Crime Victims Fund	0
1281	Mental Health Tax Fund	592,906
1921	Other Grants / Septic Loans	226,288
1951	Public Facilities Improvement Receiving	311,576
1961	Affordable Housing Fund	193,545
1971	Criminal Justice Receiving Fund	160,790
2001	Bond Redemption Fund	2,966,443
4011	Solid Waste Fund	1,961,574
4017	Solid Waste Projects Fund	1,219,524
4151	Stormwater Utility Fund	119,793
4157	Stormwater Utility Capital Projects	409,365
5011	Equipment Rental & Revolving	2,428,169
5021	Information Services	463,943
5051	Insurance Cumulative Reserve	35,106
	Total Funds other than General	25,349,556
	GRAND TOTAL COUNTY	41,210,817

Schedule C-5 - Sources and Uses of Cash, Fiduciary Funds

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS For the Year Ended December 31, 2011

Fund #	Total for All	601	602
Fund Name	Fiduciary Funds	Treasurer's Trust	County Road Retainage
Beginning Cash and Investments	\$199,063	\$148,936	\$50,127
Prior Period Adjustments	0	0	0
Revenue and Other Financing Sources	0	0	0
Total Resources	199,063	148,936	50,127
Expenditures And Other Financing Uses	0	0	0
Excess (Deficit) of Resources Over Uses	199,063	148,936	50,127
Nonrevenues (Except 384)	161,310	103,045	58,265
Nonexpenditures (Except 584)	132,625	57,271	75,354
Ending Cash and Investments	227,748	194,709	33,038

Fund #	611	621	680
Fund Name	Section 125	District Court Trust	State & Local Distribution
Beginning Cash and Investments	\$41,894	\$255,532	\$268,072
Prior Period Adjustments	0	0	0
Revenue and Other Financing Sources	0	0	0
Total Resources	41,894	255,532	268,072
Expenditures And Other Financing Uses	0	0	0
Excess (Deficit) of Resources Over Uses	41,894	255,532	268,072
Nonrevenues (Except 384)	86,746	3,777,598	23,129,439
Nonexpenditures (Except 584)	91,503	4,002,905	22,941,317
Ending Cash and Investments	37,137	30,225	456,194

Schedule 9

Long-Term Liabilities

SCHEDULE OF LONG-TERM LIABILITIES For the Year Ended December 31, 2011

<u>I.D. No.</u>	<u>Description</u>	<u>Maturity/Pmt Due Date</u>	<u>Date Issued</u>	<u>Beginning Balance 1/1/2010</u>	<u>Additions Year 2011</u>	<u>Reductions Year 2011</u>	<u>Ending Balance 12/31/11</u>
Refunded General Obligation (GO) Debt							
<u>2002 Refunding GO Bonds (New Debt for 1994 GO Bonds)</u>							
251.90	Bond Redemption Fund	12/1/2014	7/25/2002	13,341		26,844	86,497
251.11	Solid Waste Fund	12/1/2014	7/25/2002	<u>76,659</u>		<u>18,156</u>	<u>58,503</u>
Total Refunded General Obligation (GO) Debt				190,000		45,000	145,000
General Obligation (GO) Debt							
<u>2002 GO Bonds</u>							
251.11	Sutton Road Property	12/1/2017	7/25/2002	99,750		12,350	87,400
251.11	Beaverton Valley Rd Property	12/1/2017	7/25/2002	425,250		52,650	372,600
251.90	Land Bank Conservation Area Fund	12/1/2014	7/25/2002	<u>1,885,000</u>		<u>445,000</u>	<u>1,440,000</u>
Subtotal 2002 GO Bonds				525,000		510,000	1,900,000
<u>2004 GO Bonds</u>							
251.11	Bond Redemption Fund	12/1/2011	3/1/2004	100,000		100,000	0
251.11	Road Fund	12/1/2018	3/1/2004	1,463,412		161,774	1,301,638
251.11	ER&R Fund	12/1/2018	3/1/2004	<u>301,588</u>		<u>33,226</u>	<u>268,362</u>
Subtotal 2004 GO Bonds				1,865,000		295,000	1,570,000
<u>Legislative Building</u>							
251.11	2006 GO Bonds	12/1/2026	10/10/2006	1,655,000		75,000	1,580,000
<u>Turtleback</u>							
251.11	2006 GO Bonds	12/1/2036	10/10/2006	4,305,000		1,210,000	7,960,000
<u>Septic Revolving Loan</u>							
208.03	SEPTC9, Loan # L0500018	6/30/2015	6/30/2010	453,386		100,033	353,353
<u>San Juan County Fair</u>							
263.96	Fairgrounds parcel addition	12/1/2017	12/15/2005	177,337		22,128	155,209
<u>San Juan County Parks</u>							
263.96	Odlin Park Renovation	12/1/2021	11/16/2011		115,000	0	115,000
<u>County Roads</u>							
263.96	Orcas Dock Acquisition	12/1/2028	2/11/2009	2,100,000		80,000	2,020,000
Total General Obligation (GO) Debt				11,080,723	115,000	2,292,161	15,653,562
Compensated Absences							
259.11	Governmental Compensated Absences			1,007,299	169,591	0	1,176,890
259.12	Proprietary Compensated Absences			<u>92,988</u>	<u>10,385</u>	<u>0</u>	<u>103,373</u>
Total Compensated Absences Liability				1,100,287	179,976	0	1,280,263
TOTAL LONG-TERM LIABILITIES				12,371,010	294,976	2,337,161	17,078,825

Schedule 10

Limitation of Indebtedness

SCHEDULE OF LIMITATION OF INDEBTEDNESS

For the Year Ended 12/31/11

TOTAL TAXABLE PROPERTY VALUE **\$ 8,136,499,332**

2.5% (\$203,412,483) general purposes limit is allocated between:

Up to 1.5% debt without a vote **\$ 122,047,490**

Less: outstanding debt **\$ 17,078,825**

Less: excess of debt with a vote **0**

Add: available assets

Remaining debt capacity without a vote **\$ 104,968,665**

Up to 2.5% debt with a vote **\$ 203,412,483**

Less: outstanding debt **\$ 17,078,825**

Add: available assets

Remaining debt capacity with a vote **\$ 186,333,658**



Schedule 11

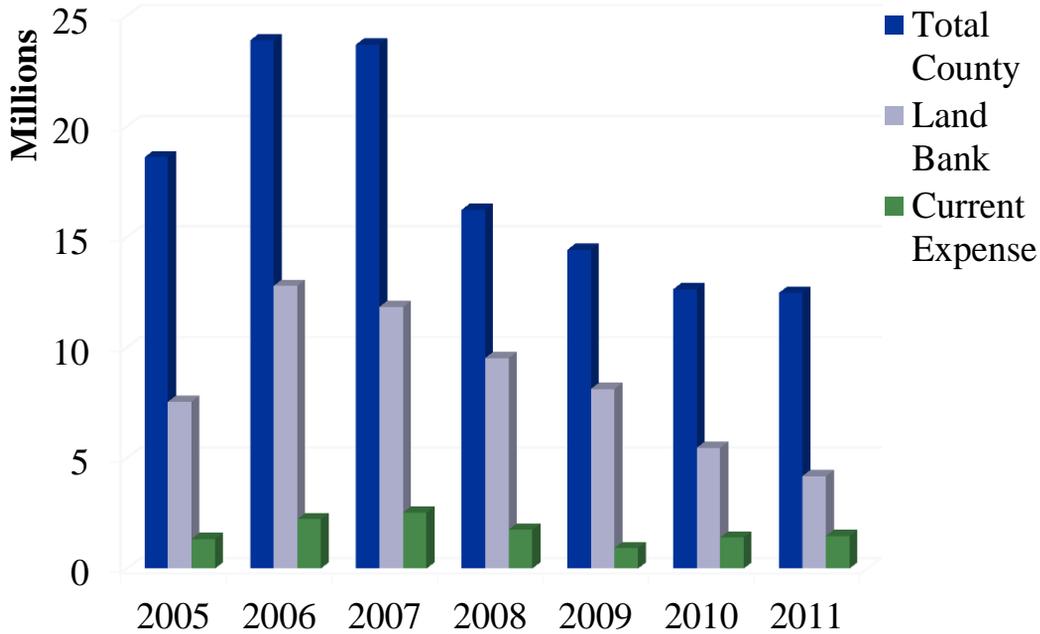
Statement of Cash Activity

STATEMENT OF CASH ACTIVITY (County Funds Only) For the Year Ended 12/31/11

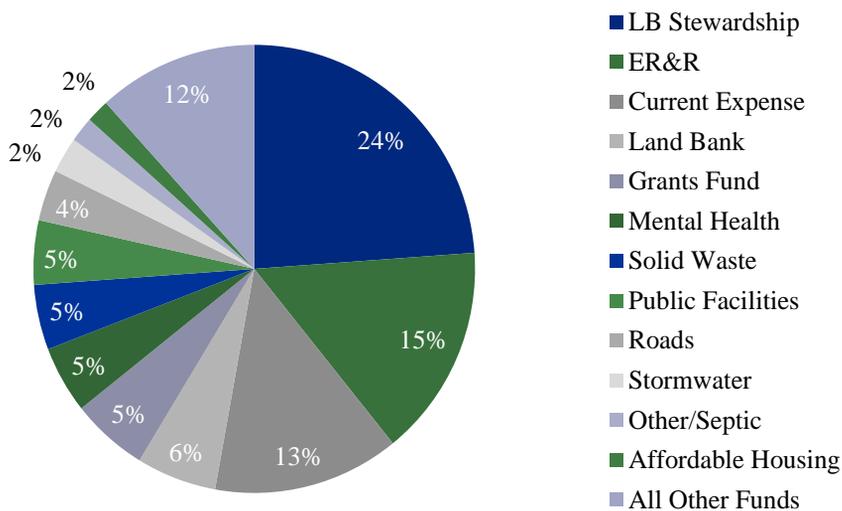
Fund #	Fund Name	Beginning Cash & Investments	Receipts	Transfers In	Other Rev.	Netted Trans-actions	Total Increase	Disburse-ments	Transfers Out	Other Expendi-tures	Total Decrease	Ending Cash & In-vestments
0001	Current Expense	2,021,848	13,240,341	271,678	-14	-10,260	13,501,744	12,896,781	1,125,587	-434,778	13,587,590	1,936,002
0002	CE Grants Clearing	807,462	2,445,292	26,916	0	-264	2,471,943	2,414,550	20,013	48,053	2,482,616	796,790
0003	Budget Stabilization	0	0	85,000	0	0	85,000	0	0	0	0	85,000
1021	Land Bank	1,964,469	2,107,910	8	0	-10,700	2,097,218	916,277	2,308,142	6,948	3,231,366	830,321
1031	LB Stewardship	3,561,695	1,065,415	177,284	0	0	1,242,699	1,385,102	30,661	3,300	1,419,063	3,385,331
1041	Noxious Weed Control	65,095	137,625	0	0	0	137,625	104,247	673	0	104,920	97,800
1051	Veterans' Relief	12,013	0	30,000	0	200	30,200	22,367	0	0	22,367	19,846
1071	Emergency Mgt	12,031	28,234	70,491	0	0	98,725	64,176	36,879	9,000	110,055	701
1081	San Juan County Fair	196	0	0	0	0	0	0	0	0	0	196
1091	San Juan County Parks	191,908	736,430	614,976	0	11,702	1,363,108	1,333,527	48,234	36,200	1,417,961	137,055
1101	Foreclosure Fund	3,735	4,872	0	0	0	4,872	97	28	0	125	8,481
1111	Dog License	5,968	18,879	0	0	-62	18,817	18,715	34	0	18,749	6,036
1121	County Roads	266,085	7,550,621	91,030	0	0	7,641,651	5,189,114	1,987,268	206,707	7,383,089	524,647
1191	Enhanced 911	47,273	197,833	0	0	0	197,833	182,814	58,011	0	240,825	4,281
1211	Multipurpose Facilities	111,589	383,429	0	0	0	383,429	155,163	187,383	0	342,545	152,472
1221	Lodging Tax Fund	134,376	383,429	0	0	0	383,429	361,549	3,834	0	365,383	152,422
1251	Auditor's Document Pres.	148,353	62,393	1,990	0	241	64,625	50,041	20,705	0	70,747	142,231
1261	Capital Improvements	52,322	462,377	128,804	0	-2,675	588,506	36,072	418,006	0	454,079	186,749
1271	Crime Victims 20%	18,999	11,874	0	0	0	11,874	0	0	0	0	30,873
1281	Mental Health Fund	329,586	755,031	100,237	0	0	855,268	495,125	0	0	495,125	689,729
1921	Other Grants/Septic Loans	331,053	102,691	995	0	-300	103,386	175,303	0	0	175,303	259,137
1951	Public Facilities	500,369	333,283	218,960	0	0	552,244	237,588	156,119	0	393,707	658,906
1961	Affordable Housing	217,010	231,815	0	0	25	231,840	206,481	1,874	1,600	209,955	238,895
1971	Criminal Justice	108,470	166,323	0	0	0	166,323	0	160,790	0	160,790	114,003
2001	Bond Redemption	131,296	219	2,934,073	0	0	2,934,292	2,966,443	0	0	2,966,443	99,145
4011	Solid Waste	(244,718)	2,198,294	486,571	0	0	2,684,865	1,695,689	251,950	50,980	1,998,619	441,529
4017	Solid Waste Projects Fund	518,182	289,237	649,567	0	0	938,804	184,375	1,046,375	2,354	1,233,104	223,882
4151	Stormwater Utility Fund	218,245	338,088	0	0	0	338,088	129,512	2,497	823	132,832	423,502
4157	Stormwater Utility Capital	146,939	221,257	0	0	0	221,257	414,458	6,715	4,878	426,051	-57,855
5011	Equip. Rental & Revolving	2,394,657	28,432	2,190,686	0	0	2,219,118	1,612,599	782,125	41,194	2,435,917	2,177,859
5021	Information Services	114,726	1,184	512,993	0	0	514,177	491,818	1,443	26,400	519,661	109,242
5051	Insurance Reserve	68,767	22	55,297	0	0	55,319	28,052	7,338	0	35,390	88,696
6011	Treasurer's Trust	148,936	84,833	18,212	0	-2,820	100,225	47,657	6,794	0	54,451	194,709
6021	County Road Retainage	50,127	58,265	0	0	0	58,265	75,354	0	0	75,354	33,038
	TOTALS	14,459,063	33,645,928	8,665,770	-14		42,296,771	33,891,048	8,669,477	3,658	42,564,182	14,191,652



Cash Balances, 2005-2011



County Cash Year-End 2011



Schedule 16

Expenditures of Federal Awards

Schedule of State & Local Financial Assistance

Grantor/Program Title	Identification Number	Current Year Exps
State Enhanced 911 Program	E12-125	178,733
State Enhanced 911 Program	E11-021	<u>173,687</u>
<u>Total WA State Military Department</u>		352,420
Registered Sex Offender Address & Residence Verification Program	WA Assoc. of Sheriffs & Police Chiefs Interagency Agreement RSO-10-11	12,500
	WA Assoc. of Sheriffs & Police Chiefs Interagency Agreement RSO-11-12	<u>14,000</u>
<u>Total Criminal Justice Training Commission</u>		26,500
County Arterial Preservation Program	BARS #334.03.72	101,951
Rural Arterial Program (RATA)	Project #2809-01	<u>278,289</u>
<u>Total CRAB (County Road Administration Board)</u>		380,240
WA State Administrative Office of the Courts		
Court-Appointed Special Advocates	IAA10142	3,734
Court-Appointed Special Advocates	IAA12073	2,126
BECCA	IAA10182	<u>6,075</u>
<u>Total Administrative Office of the Courts</u>		11,935
Substance Abuse Prevention and Treatment	0963-68058	106,555
Substance Abuse Prevention and Treatment	1163-27322	73,833
Community Juvenile Accountability Act	1163-33534	368
Community Juvenile Accountability Act	1063-95163	3,329
Consolidated Juvenile Services At-Risk	1163-33534	19,934
Consolidated Juvenile Services At-Risk	1063-95163	42,912
DSHS / Child Support Enforcement	0463-42396	31,905
DSHS / Child Support Enforcement	9963-42272	5,134
Pass through: NW Regional Council		
Family Caregiver Support Program	123004-IACM	28,086
Senior Services; SCSA-I&A and CM	123004-IACM	<u>69,283</u>
<u>Total DSHS (Dept of Social and Health Services)</u>		381,339
Local Source Control Program	DOE Interagency Agreement #C1000055	87,678
Local Source Control Program	DOE Interagency Agreement #C1200060	19,014
Planning Unit Support Grant	G1100122	21,783
Coordinated Prevention Grant	G1000472	48,898
Coordinated Prevention Grant	G1000444	26,624
Watershed Management Plan	G1200131	8,345
Groundwater Monitoring	G1000317	21,253
Community Litter Cleanup Program	Interagency Agreement #C1200019	886
Comprehensive Shoreline Master Program Update	G1100172	<u>289,033</u>
<u>Total Department of Ecology</u>		523,514

Schedule 16

Expenditures of Federal Awards

Schedule of State & Local Financial Assistance, continued

Grantor/Program Title	Identification Number	Current Year Exps
Prosecuting Attorney Salary	RCW 36.17.020; 334.00.11.0000	74,416
<u>Total WA State Legislature (RCW 36.17.020)</u>		74,416
Crime Victims Advocacy	S11-31119-032	6,781
Crime Victims Advocacy	S12-31119-032	3,000
Crime Victims Advocacy	S11-31102-525	26,353
Community Mobilization Program	M08-66100-128	<u>1,000</u>
<u>Total Department of Commerce</u>		37,134
Derelict Vessel Removal Program	IAA 11-307	31,144
<u>Total WA State Department of Natural Resources</u>		31,144
Early Childhood Education & Assistance Program	12-1032	119,246
Early Childhood Education & Assistance Program	10-1063-02	<u>138,875</u>
<u>Total Department of Early Learning</u>		258,121
Local Capacity Development Fund	C14960	28,570
Rec. Shellfish/Biotoxin (PSAA)	C14960	2,000
Onsite LMP Implementation	C14960	24,700
Small Onsite Contracts	C14960	26,090
Youth Tobacco Prevention	C14960	3,919
Drinking Water Group A - SS State	C14960	1,750
Blue Ribbon Local Health Funds	C14960	76,000
Vaccines Received in Lieu of Cash	C14960	<u>9,434</u>
<u>Total Department of Health</u>		172,463
Recreation and Conservation Office	09-1511N	68,166
Recreation and Conservation Office	11-1473P	8,370
Recreation and Conservation Office	08-1281A	300,000
Recreation and Conservation Office	06-1570D	<u>111,062</u>
<u>Total Recreation & Conservation Funding Board</u>		487,598
Farmland Preservation Agricultural Strategic Plan	Grant 11-SANJUANOFFP-03	16,113
<u>Total WA State Conservation Commission</u>		16,113
School Zone Flashing Light	Award letter June 14, 2011	7,500
School Zone Enforcement	Award letter October 21, 2011	1,000
School Zone Flashing Light	Award letter December 10, 2010	<u>7,500</u>
<u>Total Traffic Safety Commission</u>		16,000
Transportation Planning, Comp Plan Transp. Element	GCA6678	35,798
<u>Total Department of Transportation</u>		35,798
ECO Net Outreach	2011-07	836
<u>Total Puget Sound Partnership</u>		836
TOTAL STATE AND LOCAL ASSISTANCE		<u>2,805,571</u>

Schedule 16

Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards

Federal Agency/Pass Through Agency Name	Federal Program Name	CFDA #	Other ID Number	Exps Pass Through	Direct	Total
US Dept of Agriculture / Pass through: WA State Dept of Health	Special Supplemental Nutrition Program for Women Infants and Children	10.557	C14960	93,816		93,816
US Dept of Agriculture	Wildlife Habitat Incentive	10.914	720546080UL		2,450	
		10.914	720546080XX		<u>3,549</u>	
		Subtotal CFDA 10.914			5,999	5,999
US Dept. of Commerce / Pass through: WA State Dept of Ecology	Coastal Zone Management	11.419	G1000021	79,603		
		11.419	G1200006	<u>25,106</u>		
		Subtotal CFDA 11.419		104,709		104,709
US Dept. of Commerce / Pass through: WA State Recreation and Conservation Office	Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	11.438	09-1511N	12,664		
		11.438	11-1473P	18,193		
		11.438	#07-1539R	<u>355,169</u>		
Subtotal CFDA 11.438		386,026		386,026		
US Dept of HUD / Pass through: WA State Dept. of Commerce	Community Development Block Grants	14.228	09-64009-045	20,428		20,428
US Dept of HUD / Pass through: WA State Dept. of Commerce	Home Investment Partnerships Program	14.239	10-47101-121	24,870		
		14.239	11-47101-121	<u>29,558</u>		
		Subtotal CFDA 14.239		54,428		54,428
US Dept of Interior / Pass through: WA Dept of Fish and Wildlife	Landowner Incentive Program	15.633		6,444		6,444
US Dept of Justice / Pass through: WA State DSHS	Juvenile Accountability Block Grants	16.523	0663-98407-05	3,794		
		16.523	0663-98407-06	<u>2,374</u>		
		Subtotal CFDA 16.523		6,168		6,168
US Dept of Justice / Pass through: WA State Dept of Commerce	Crime Victim Assistance	16.575	S11-31119-032	14,597		
		16.575	S12-31119-032	17,352		
		16.575	S12-31102-525	<u>14,472</u>		
		Subtotal CFDA 16.575		46,421		46,421
US Dept of Justice / Pass through: WA State Dept of Commerce	Violence Against Women Formula Grants	16.588	F10-31103-155	29,689		29,689
US Department of Justice	Bulletproof Vest Partnership Program	16.607	Online application		6,297	6,297
US Dept of Justice/ Pass through: WA Assoc of Sheriffs & Police Chiefs	Public Safety Partnership and Community Policing Grants	16.710	WSMI09104	934		
		16.710	WSMI10104	<u>1,469</u>		
		Subtotal CFDA 16.710		2,403		2,403
US Dept of Transportation / Pass through: WA State DOT	Highway Planning and Construction	20.205	LA-7425	30,000		
		20.205	LA-7426	3,275		
		20.205	LA-7425	<u>22,159</u>		
		Subtotal CFDA 20.205		55,434		55,434

Schedule 16

Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards, continued

Federal Agency / Pass Through Agency Name	Federal Program Name	CFDA #	Other ID Number	Exps Pass Through	Direct	Total
Environmental Protection Agency / Pass through: City of Seattle	Puget Sound Watershed Mgt Assistance	66.120	EPA-R10-PS-1001	696		
Environmental Protection Agency		66.120	J12501		<u>336,434</u>	
		Subtotal CFDA 66.120		696	336,434	337,130
Environmental Protection Agency / Pass through: Puget Sound Partnership	Puget Sound Action Agenda Outreach, Education & Stewardship	66.122	2011-40	3,392		3,392
Environmental Protection Agency / Pass through: WA State DOH	Puget Sound Action Agenda: Technical Investigations & Implementation	66.130	C14960	8,261		8,261
Environmental Protection Agency / Pass through: WA State Recreation & Conservation Office	National Estuary Program	66.456	09-1511N	30		30
Environmental Protection Agency / Pass through: WA State DOH	Capitalization Grants for Drinking Water State Revolving Funds	66.468	C14960	19,000		19,000
US Dept of Educ / Pass through: WA State Dept of Early Learning	Special Education - Grants for Infants and Families	84.181	12-1070	5,253		
		84.181	10-1294-02	<u>6,999</u>		
		Subtotal CFDA 84.181		12,252		12,252
US Dept of Education / Pass through: WA State Dept of Commerce	Safe and Drug-Free Schools and Communities State Grants	84.186B	M08-66100-128	16,038		16,038
US Dept of Education / Pass through: WA State Department of Early Learning	Special Education - Grants for Infants and Families, Recovery Act	84.393	10-1321	3,973		3,973
US Election Assistance Comm / Pass through: WA Sec of State	Help America Vote Act Requirements Payments	90.401	#G-2856	2,537		2,537
US Dept of HHS / Pass through: Northwest Regional Council	Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Sr Centers	93.044	123004-IACM	30,000		30,000
US Dept of HHS / Pass through: NW Regional Council	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	Interlocal agreement	6,600		6,600
US Dept of HHS / Pass through: WA State DSHS	Public Health Emergency Preparedness	93.069	C14960	15,119		15,119
US Dept of HHS / Pass through: WA State Department of Health	Immunization Grants	93.268	C14960	10,384		
		93.268	Vaccines rec'd in-lieu of cash	<u>22,013</u>		
		Subtotal CFDA 93.268		32,397		32,397

Schedule 16

Expenditure of Federal Awards

Schedule of Expenditures of Federal Awards, continued

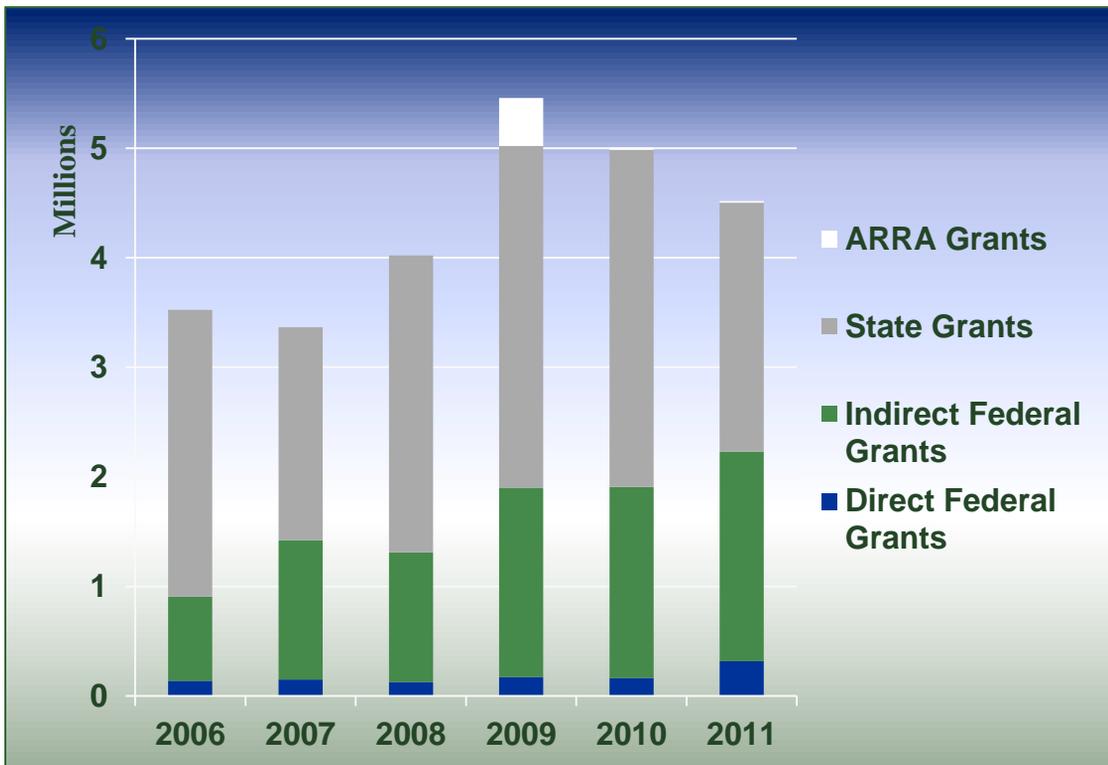
Federal Agency / Pass Through Agency Name	Federal Program Name	CFDA #	Other ID Number	Exps Pass-Through	Direct	Total
US Dept of Health and Human Services	Drug Free Communities Support Program Grants	93.276	2H79SP011677-06		130,298	130,298
US Dept of HHS / Pass through: WA State Department of Health	Ctrs for Disease Control & Prevention - Investigations and Technical Assistance	93.283	C14960	1,430		1,430
US Dept of HHS / Pass through: WA Dept of Social & Health Svcs	Child Support Enforcement	93.563	0463-42396	66,521		
		93.563	9963-42272	<u>30,514</u>		
		Subtotal CFDA 93.563		97,035		97,035
US Dept of HHS / Pass through Whatcom Opportunity Council	Community Services Block Grant	93.569		686		686
US Dept of HHS / Pass through: WA State Department of Health	ARRA – Immunization	93.712	C14960	3,276		3,276
US Dept of HHS / Pass through: WA State DSHS	Medical Assistance Program	93.778	0963-533355	72,268		
		93.778	1163-33987	<u>5,663</u>		
		Subtotal CFDA 93.778		77,931		77,931
US Dept of HHS / Pass through: WA State DSHS	National Bioterrorism Hospital Preparedness	93.889	C14960	1,661		1,661
US Dept of HHS / Pass through: WA State DSHS	Block grant for Prevention and Treatment of Substance Abuse	93.959	0963-68058	46,284		
		93.959	1163-27322	<u>14,078</u>		
		Subtotal CFDA 93.959		60,362		60,362
US Dept of HHS / Pass through: WA State Department of Health	Maternal & Child Health Services Block Grant	93.994	C14960	25,180		25,180
US Dept of Homeland Security / Pass through: WA State Parks and Recreation Commission	Boating Safety Financial Assistance	97.012	LE911-425	8,797		
		97.012	LE911-231	<u>20,401</u>		
		Subtotal CFDA 97.012		29,198		29,198
US Dept of Homeland Security / Pass thru WA State Military Dept.	Emergency Management Performance Grants	97.042	E10-274	13,554		
		97.042	E12-105	<u>3,449</u>		
		Subtotal CFDA 97.042		17,003		17,003
US Dept of Homeland Security / Pass through: WA State Military Dept.	Interoperable Emergency Communications	97.055	E10-027	3,234		3,234
US Dept of Homeland Security / Pass thru WA State Military Dept.	Homeland Security Grant Program	97.067	K691-CCP	1,973		
		97.067	K855-CCP	124		
		97.067	E10-206	47,539		
		97.067	E10-206	24,999		
		97.067	E09-181	<u>44,591</u>		
		Subtotal CFDA 97.067		119,226		119,226

TOTAL FEDERAL AWARDS EXPENDED

1,392,483 479,028 1,871,511

Grant Revenue to County, 2006-2011

BARS #	Grant Type	2006 Actuals	2007 Actuals	2008 Actuals	2009 Actuals	2010 Actuals	2011 Actuals	2012 Budget
331	Direct Federal Grants	139,897	149,787	125,979	173,894	164,665	318,605	606,164
333	Indirect Federal Grants	765,674	1,272,149	1,185,547	1,729,411	1,743,145	1,912,657	2,710,047
334	State Grants	2,619,343	1,943,710	2,709,941	3,118,113	3,076,873	2,272,869	5,212,833
339	ARRA Grants	0	0	0	437,985	19,335	12,688	8,000
Grand Total		3,524,914	3,365,646	4,021,467	5,459,403	5,004,018	4,516,819	8,537,044



Schedule 20 – Rural Sales & Use Tax for Public Facilities

2011 Sales & Use Tax proceeds (BARS Code 313.18) of: \$ 332,570 plus unspent proceeds from previous periods of: \$ 724,198

Public Facility – Project	Plan Containing the Project	Total Project Expend	2011 Award	Tax Spent on Project in 2011	Estimated # of Businesses Created/Retained by Project	Estimated # of Jobs Created/Retained by Project
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2011 Awards

SJC, Public Works Department - Prune Alley	SJC Economic Development Plan	100,000	18,000	0	see note below	see note below
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Construction of the facilities provides jobs on a short-term basis. Stormwater facilities require maintenance which supports long-term employment. This project will immediately serve 32 village commercial lots. The project will also serve the needs of approximately 957 residents of Eastsound Village and will benefit the approximately 4,894 island residents as well as island visitors.

SJC EDC and SJ Island Community Foundation - Broadband Initiative	Town 2002 GMA Comp Plan	38,000	28,000	14,460	see note below	see note below
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This project will directly provide short-term jobs for plan documentation & technical consulting. The full project will immediately provide a variety of permanent jobs in the technical & administrative management of the proposed SJC Broadband Cooperative. Early estimates would indicate a minimum of 4 direct FTEs. Every business in San Juan County will be served by the facility assistance project.

SJC Parks - Renovation & Expansion of Odlin Park, Phase 1	SJC Economic Development Plan	324,000	120,800	43,762	see note below	see note below
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This project will support 3 part-time park staff. Odlin Park is host to recreational outfitters such as bicycle and kayak touring groups, youth programs and educational institutions. Special events that support local business include the Tour de Lopez, which annually hosts about 1,000 cyclists.

SJC Fair - Roof Replacement & Repair Bathroom	SJC Economic Development Plan	14,500	14,500	0	see note below	see note below
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Some of the organizations that will use these facilities are: Friends of the San Juans, Native American Canoe, Island Park & Rec District, Santiam Spokes, Seattle Children's Hospital and Catlin Gable School. Regular cleaning services to maintain the bathroom facility help to support 2 local businesses. The Fair has 3 full-time and many part-time employees.

Town of Friday Harbor	N/A	N/A	N/A	85,078	N/A	see note below
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By SJ Co Code, the Town of Friday Harbor is awarded 25% of the County's prior year Sales & Use Tax revenue, external to the County's annual award process.

Economic Development Council	N/A	N/A	N/A	55,700	N/A	see note below
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The San Juan County Economic Development office was awarded funding in accordance with RCW 82.14.370, Section 3(a).

Schedule 20 – Rural Sales & Use Tax for Public Facilities

Public Facility – Project	Plan Containing the Project	Total Project Expend	2011 Award	Tax Spent on Project in 2011	Estimated # of Businesses Created/Retained by Project	Estimated # of Jobs Created/Retained by Project
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Prior Year Awards

Eastsound Stormwater - OPAL	SJC Economic Development Plan	N/A	N/A	35,448	N/A	Awarded in 2008
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Eastsound Stormwater Control/Treatment UGA	SJC Economic Development Plan	N/A	N/A	0	N/A	Awarded in 2008
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SJC Fair - Marie Boe Building Remodel	SJC Economic Development Plan	N/A	N/A	10,455	N/A	Awarded in 2009
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SJC Fair - Main Building Lighting System	SJC Economic Development Plan	N/A	N/A	16,454	N/A	Awarded in 2010
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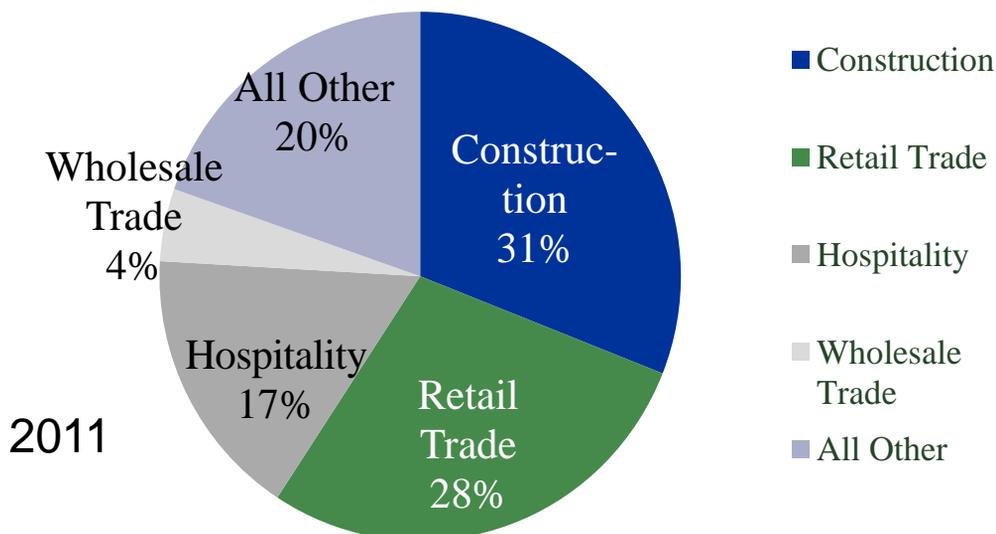
SJC, Public Works Department - Eastsound Streetscape Plan	SJC Economic Development Plan	N/A	N/A	0	N/A	Awarded in 2010
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SJC Parks - Renovation of Odlin Park, Phase 2	SJC Economic Development Plan	N/A	N/A	50,000	N/A	Awarded in 2008
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Taxable Sales by Industry, 2011 (and compared to 2008)

<u>Industry</u>	<u>Taxable Sales</u>	<u>% of Total</u>	
		<u>2011</u>	<u>2008</u>
Construction	\$104,337,064	30.99%	40.19%
Retail Trade	\$95,080,131	28.24%	24.48%
Hospitality	\$56,165,468	16.68%	14.66%
Wholesale Trade	\$14,947,693	4.44%	3.53%
Mgt, Educ, Health	\$12,742,051	3.78%	3.61%
Information	\$11,590,860	3.44%	2.56%
Real Estate	\$7,984,338	2.37%	1.91%
Other Services	\$8,709,391	2.59%	2.06%
Arts, Ent, & Rec	\$5,804,876	1.72%	1.59%
Manufacturing	\$6,331,930	1.88%	1.42%
Transp & Warehousing	\$4,558,643	1.35%	.99%
Prof, Sci, Technical	\$4,060,776	1.21%	1.46%
Ag, Forest, Fishing	\$2,803,571	0.83%	.71%
Utilities	\$931,895	0.28%	.14%
Finance, Insurance	\$501,477	0.15%	.69%
Mining	\$120,415	0.04%	.01%
Government & Other	\$16,235	0.00%	.00%
Grand Total	\$336,686,814	100.00%	100.00%



Notes to the Financial Statements

SAN JUAN COUNTY NOTES TO FINANCIAL STATEMENTS YEAR ENDING DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

San Juan County was organized from Whatcom County in 1873 and operates under the laws of the State of Washington applicable to a home rule charter county. In 2005 the County adopted a Home Rule Charter type of government, governed by a six-member Council and administered by a County Administrator. The county is a general purpose government and provides law enforcement; emergency planning; district, juvenile, and superior court services; community planning; building permitting and inspection; public health and community services; parks and fair operation and maintenance; road construction and maintenance; solid waste disposal; storm water utility construction and maintenance; and general administrative services. In addition, through the County Treasurer and County Auditor, the County is the fiscal agent for twenty-two (22) school and special purpose districts. The county uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

In 2011 commissioners were elected for the County's first charter review, which is taking place during 2012.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Notes, continued

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the County on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

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

Agency Funds

These funds are used to account for assets that the County holds for others in an agency capacity.

B. Basis of Accounting

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

In accordance with state law (RCW 36.40.200), the County has also recognized expenditures paid during the thirty-one days following the close of the fiscal year, for claims incurred during the previous period. In fiscal year 2011, the County shortened that extra time to 21 days, with the intention of reducing it to 15 days for fiscal year 2012.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Notes, continued

C. Budgets

San Juan County adopts annual appropriated budgets for all 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 2011 were as follows:

Fund #	Fund Name	Final Appropriated Amounts	Actual Expenditures	Variance
0001	County Current - General	13,571,291	13,350,991	-220,300
0002	Current Expense Grants Clearing	2,676,124	2,472,394	-203,730
0003	Budget Stabilization Fund	85,000	0	-85,000
1021	SJC Conservation Area Fund	3,589,377	3,221,664	-367,713
1031	Land Bank Stewardship & Mgt	468,647	406,097	-62,550
1041	SJC Noxious Weed Control	206,717	103,132	-103,585
1051	Veterans' Assistance	91,536	22,167	-69,369
1071	SJC Dept of Emergency Mgt	105,762	105,760	-2
1091	San Juan County Parks	2,405,593	1,432,166	-973,427
1101	Tax Sale Expense	6,635	125	-6,510
1111	Dog License	24,459	18,920	-5,539
1121	County Roads	7,980,541	7,445,310	-535,231
1191	Enhanced 911	757,156	242,359	-514,797
1211	Multipurpose Facilities Fund	460,739	339,245	-121,494
1221	Lodging Tax Fund	483,800	377,336	-106,464
1251	Auditor Document Preservation	225,563	86,592	-138,971
1261	Capital Improvement Fund	578,087	459,661	-118,426
1271	Crime Victims 20%	29,899	0	-29,899
1281	Mental Health Tax Fund	1,137,640	592,906	-544,734
1921	Other Grants / Septic Loans	491,353	226,288	-265,065
1951	Public Facilities Improvement Rec'g	1,052,998	311,576	-741,422
1961	Affordable Housing Fund 60%	417,037	193,545	-223,492
1971	Criminal Justice Receiving Fund	265,070	160,790	-104,280
2001	Bond Redemption Fund	3,090,870	2,966,443	-124,427
4011	Solid Waste Fund	1,889,489	2,000,119	110,630
4017	Solid Waste Projects Fund	1,423,036	1,219,524	-203,512
4151	Stormwater Utility Fund	522,191	119,793	-402,398
4157	Stormwater Utility Capital Projects	703,792	409,365	-294,427
5011	Equipment Rental & Revolving	4,407,193	2,428,169	-1,979,024
5021	Information Services	520,438	463,943	-56,495
5051	Insurance Cumulative Reserve	128,583	35,106	-93,477
	GRAND TOTAL	49,796,616	41,211,486	-8,585,130

Notes, continued

Budgeted amounts may be authorized to be transferred between departments by the County Administrator; 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 2011, and the major reasons for those changes. Because San Juan County adopts its budget including beginning and ending cash, some large changes reflect merely corrections of projected beginning cash. Adjustments solely because of beginning cash are not included here.

Fund #	Fund Name	Original Adopted Budget	Budget Adjusts	Final Appropriated Amounts	% Change in Approps	Reasons for Change
1021	SJC Conservation Area Fund	3,898,205	-308,828	3,589,377	-7.92%	Less revenue and fewer acquisitions
1071	SJC Dept of Emergency Management	177,867	-72,105	105,762	-40.54%	Reduction in projected IF loan from \$100K to \$17K
1091	San Juan County Parks	1,443,178	962,415	2,405,593	66.69%	Odlin Park Renovation
1261	Capital Improvement Fund	383,500	194,587	578,087	50.74%	Adopted REET 2
1281	Mental Health Tax Fund	528,850	608,790	1,137,640	115.12%	More beginning cash (\$186K) + NSMHA contract (\$422K)
1951	Public Facilities Improvement Receiving	759,216	293,782	1,052,998	38.70%	Beginning cash, plus early repayment of \$100,000 loan
4011	Solid Waste Fund	2,141,19	-251,702	1,889,489	-11.76%	ER&R/SW property swap
4017	Solid Waste Projects Fund	805,741	617,295	1,423,036	-76.71%	Beginning cash, plus ER&R/SW property swap
5011	Equipment Rental & Revolving	3,491,788	915,405	4,407,193	26.22%	Parks interfund loan (\$350K), ER&R/SW property swap (\$649K)

D. Cash

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

E. Deposits

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

F. Investments – See NOTE 3 – INVESTMENTS.

G. Capital Assets

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

Notes, continued

H. Compensated Absences

Elected Officials:

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

Unrepresented Employees and Members of AFSCME Local 1849:

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

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

Sheriff's Guild members:

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

ARTICLE 11 – VACATION

Section 3. Maximum Accumulation of Vacation

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

Unexpended vacation time in excess of the amount earned in a two (2) year period will be forfeited by the employee, unless the employee has requested vacation leave by December 1 to be taken before the end of the year and the request has been disapproved.

Additional vacation credits in excess of one (1) year's accumulation shall be carried forward to a new calendar year only by agreement between the employee and Sheriff.

Section 4. Accrued Vacation Upon Termination

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

- Shall be taken as vacation prior to retirement, or

- Shall be transferred into the employee's VEBA account, as stated in Article 15, Section 4.

- Shall not be paid as a lump sum payment.

- Shall not, under any circumstances, be credited in such a way as to increase that employee's retirement benefits in a manner that requires additional payment by the County.

ARTICLE 11 - SICK LEAVE

Section 1. Sick Leave Accrual

Sick leave with pay shall accrue at the rate of one (1) working day of leave for each month of full-time continuous employment. Any sick leave accrued which is unused in any year shall be accumulated for succeeding years for all regular employees.

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

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

If he or she has at least 480 hours of accrued sick leave:

The cash value (up to a maximum of \$6,000) equal to of twenty-five percent (25%) of any amount over 480 accrued hours will be transferred into the employee's VEBA account.

The bonus cash value of 48 hours (six days) will also be transferred into the employee's VEBA account.

Employees with less than 480 hours of accrued sick leave will receive no benefit from accrued sick leave.

Any such conversion of sick leave upon retirement or death shall be subject to the terms and limitations of law.

Notes, continued

I. Long-Term Debt – See NOTE 6 – LONG-TERM DEBT.

J. Other Financing Sources or Uses

The County's "Other Financing Sources or Uses" consist of payments on septic repair loans, insurance recoveries, sales of fixed assets, transfers between the general fund and the Grants Clearing Fund to reconcile grant program expenditures and revenues, transfers into and out of the Bond Redemption Fund for LTD payments, and other operating transfers between funds.

K. Risk Management

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

Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits resulting from any of the Pool's fiscal years are financed by proportional reassessments (aka retroactive assessments) amongst the deficient year's membership. The Pool's reassessments receivable balance as of December 31, 2011 was \$0 as no contingent liabilities were known to exist at that time.

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

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

San Juan County has a per-claim deductible of \$10,000 and expected annual claims, based on the last five years, of \$38,524.

The Pool's claims database increased during Py2011 (Policy year 2011) with the addition of 744 new claims (and lawsuits) raising the 3rd-party liability claims to-date total submitted by member counties to 17,982. Estimates of total incurred losses (payments made plus reserved estimates for open claims) increased \$16.0 million during the year to \$237.4 million.

Washington Counties Property Program: Since the Pool began offering the jointly-purchased, fully-insured property insurance coverage to its membership in October 2005 as an individual county option, participation has grown by more than 50% and the total value of covered properties has nearly doubled. Twenty-seven member counties with covered properties totaling \$2.6 billion participated in this program during Py2011.

Notes, continued

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

Superior-rated commercial insurers are responsible for covered losses exceeding the participant deductibles to the maximum limits of the policy. There were 13 property claims submitted for processing during Py2011 with incurred losses-to-date totaling nearly \$0.85 million. During its first six years being offered through the WCRP as an optional insuring program, there have been 78 property claims filed with incurred losses-to-date totaling nearly \$9.75 million. With to-date premiums for this coverage totaling \$13.75 million, the resulting to-date loss ratio is 0.71.

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

Financial Summary: The following constitute the most significant highlights from the Pool's most recently completed Policy (Fiscal) Year (October 2010 through September 2011):

Net Operating Income was realized of \$0.8 million, a 58% decrease from the prior year.

Total Assets grew \$2.2 million (6%) to \$41.1 million. Current assets increased \$2.3 million (6%) while non-current assets decreased 4%.

Total Claims Reserves for the Pool's direct reserving exposures increased to \$15.0 million, up 6.7% from the prior year. This total includes: \$5.6 million for losses in the coverage layer retained by the Pool, down 9.3%; \$8.6 million for the aggregated stop losses in the retained layers associated with the "corridor" program for automobile and general liabilities, up 22%; and \$0.8 million for unallocated loss adjustment expenses, down 5% from one year ago. NOTE: The corridor program referenced is now five years old yet still not fully matured. Further, its occurrence coverage maximum was increased to one million dollars beginning with Py2010, up from the half million level that existed during the program's first three years, while the program's occurrence minimum remains the greater of the applicable member's deductible or \$100,000.

Net Position (formerly referred to as Net Assets and also known as Members' Equity) increased \$0.08 million to \$11.0 million as of September 30, 2011. Of the total, \$5.5 million is classified as Restricted Net Position — \$0.9 million to satisfy the State's solvency provisions (WAC 200.100.03001) plus \$4.6 million for the Pool's Underwriting Policy requirements. \$0.2 million is invested in a real property (fraud) recovery, and another \$1 million in Capital Assets (net of debt). The remaining \$4.4 million held as Non-Restricted Net Position is available for use as directed by the Pool's Board of Directors.

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

Notes, continued

L. Reserved Fund Balances

Fund		2011 Fund Balance	Nature of Restrictions
0003	Budget Stabilization Fund		
308.10.00.0000	Beginning Cash Reserves	85,000	Restricted by Ordinance 35-2009; specific criteria exist for use of reserves.
Total Budget Stabilization Fund		85,000	
1021	SJC Conservation Area Fund		
308.80.00.0000	Beginning Cash	817,182	Restricted by RCW 82.46.0070 to use for acquisition and maintenance of conservation areas.
Total SJC Conservation Area Fund		817,182	
1031	Land Bank Stewardship & Management		
308.80.00.0000	Unreserved Beginning Cash	3,368,928	Restricted by RCW 82.46.0070 to use for acquisition and maintenance of conservation areas.
Total Land Bank Stewardship & Management		3,368,928	
1041	SJC Noxious Weed Control		
308.00.00.0000	Beginning Cash	95,209	Restricted by Ordinance 22-2002 solely to support the SJC Noxious Weed Control Board
Total SJC Noxious Weed Control		95,209	
1091	San Juan County Parks		
308.89.00.0000	Lopez Vlg Park Reserve Cash C /F	9,481	Donated funds committed to use on Lopez Village Park.
Total San Juan County Parks		9,481	
1111	Dog License		
308.10.00.0000	Beginning Livestock Reserves	5,000	Required (by SJCC 6.08.070) reserve for livestock deaths All other licensing funds are restricted to use for animal control and code enforcement purposes (SJCC 6.08.070).
308.80.00.0000	Beginning Unreserved Cash	6	
Total Dog License		5,006	
1121	County Roads		Road fund revenues may only be spent for "proper county road purposes" (RCW 36.82.020).
308.00.00.0000	Beginning Cash	335,529	
Total County Roads		335,529	
1191	Enhanced 911		Restricted to use for E-911 communications systems (SJCC 3.23.040)
308.00.00.0000	Beginning Cash	-1,928	
Total Enhanced 911		-1,928	
1211	Multipurpose Facilities Fund		All lodging taxes are restricted in use by RCW 67.28.
308.10.00.0000	Legislated Cash Reserves	124,922	
Total Multipurpose Facilities Fund		124,922	
1221	Lodging Tax Fund		All lodging taxes are restricted in use by RCW 67.28.
308.10.00.0000	Legislated Cash Reserves	109,892	
Total Lodging Tax Fund		109,892	
1251	Auditor Document Preservation		Restricted to use for ongoing preservation of historical documents (RCW 36.22.170)
308.10.00.0019	Capital Reserves (\$25K/yr)	100,000	
308.80.00.0000	Unreserved Beginning Cash	19,028	
308.80.00.0034	Unreserved Beginning Hist Pres Fds	5,526	
Total Auditor Document Preservation		124,554	
1261	Capital Improvement Fund		Restricted by RCW 82.46 to certain types of capital projects Restricted for use on capital projects as described in Ordinance 35-2009.
308.80.00.0000	Unreserved Beginning REET 1	-6,593	
308.80.00.0000	Unreserved Beginning REET 2	65,024	
308.10.00.0000	Beginning Capital Reserves	120,000	
Total Capital Improvement Fund		178,431	
1271	Crime Victims 20%		Restricted to use for crime victim assistance (RCW 7.68.035)
308.00.00.0000	Beginning Cash	30,873	
Total Crime Victims 20%		30,873	

Notes, continued

Fund		2011 Fund Balance	Nature of Restrictions
1281	Mental Health Tax Fund		
308.10.00.0000	Therapeutic Ct Cash Reserves	37,500	Restricted by RCW 82.14.460 for chemical dependency or mental health services or therapeutic courts.
308.80.00.0000	Unreserved Beginning Cash	539,103	
Total Mental Health Tax Fund		576,603	
1921	Other Grants / Septic Loans		
308.00.00.0000	Beginning Cash	208,151	Funds are accumulated to make payments on septic and down payment assistance loans.
Total Other Grants / Septic Loans		208,151	
1951	Public Facilities Improvement Receiving		
308.10.00.0000	Carry forward Prior Awards	386,246	Reserved for awards committed in previous years
308.80.00.0000	Unreserved Beginning Cash	261,620	Restricted to use for public facilities which enhance economic development (RCW 82.14.370)
Total Public Facilities Improvement Receiving		647,866	
1961	Affordable Housing Fund 60%		
308.21.00.0000	Beginning Cash-Afford. Housing	31,084	Restricted to use for affordable housing programs (RCW 36.22.178)
308.21.00.0001	5% Reserve-Prior Yrs Afford. Hsg	1,289	
308.22.00.0000	Beginning Cash-End Homeless	200,616	Restricted to use for homelessness assistance (RCW 36.22.179)
Total Affordable Housing Fund 60%		232,989	
1971	Criminal Justice Receiving Fund		
308.80.00.0000	Beginning Unreserved Cash	114,003	Restricted to use for criminal justice purposes (RCW 82.14.310)
Total Criminal Justice Receiving Fund		114,003	
2001	Bond Redemption Fund		
308.00.00.0000	Beginning Cash	99,145	Restricted to use for payment of bond obligations.
Total Bond Redemption Fund		99,145	
4011	Solid Waste Fund		
308.00.00.0000	Beginning Cash	299,502	Solid Waste revenue proceeds are restricted to uses related to solid waste SJCC 8.12.160).
Total Solid Waste Fund		299,502	
4017	Solid Waste Project Fund		
308.00.00.0000	Beginning Cash	218,156	Solid Waste revenue proceeds are restricted to uses related to solid waste SJCC 8.12.160).
Total Solid Waste Fund		218,156	
4151	Stormwater Utility Funds		
308.00.00.0000	Beginning Cash	420,405	Restricted to use for planning and administrative costs associated with storm water facilities (SJCC 13.04.110).
Total Stormwater Utility Fund		420,405	
4157	Stormwater Utility Funds		
308.00.00.0000	Beginning Cash	-74,546	Restricted to use for planning and administrative costs associated with storm water facilities (SJCC 13.04.110).
Total Stormwater Utility Fund		-74,546	
5011	Equipment Rental & Revolving		
308.10.00.0000	Beginning Equipment Reserves	1,400,000	Reserves for equipment replacement (RCW 36.33A.040)
Total Equipment Rental & Revolving		1,400,000	
5051	Insurance Cumulative Reserve		
308.80.00.0000	Beginning Cash	88,696	Restricted to use for investigation, defense and satisfaction of claims and lawsuits (Res 28-1994).
Total Insurance Cumulative Reserve		88,696	
Grand Total Restricted Funds		9,514,049	

Notes, continued

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There were no expenditures exceeding legal appropriations in any of the funds of San Juan County. However, two funds – Fund 1071, Emergency Management, and Fund 1191, Enhanced 911 – ended with small deficit cash balances. Both were deficit only because of outstanding warrants, and were back in the black in early January.

NOTE 3 – INVESTMENTS

The County's investments are insured, registered, or held by the County or its agent in the County's name. Investments are presented at cost. Investments by type as of December 31, 2011, were as follows:

<u>Type of Investment</u>	<u>San Juan County's Own Investments</u>	<u>Investments Held by SJ Co as an Agent for Other Local Gov'ts</u>	<u>Residual Cash*</u>	<u>Total</u>
LGIP	5,984,474	8,675,223	6,876,064	21,535,761
US Government Securities	0	0	4,996,387	4,996,387
Certificates of Deposit	0	0		0
Savings Accounts.	0	524,161		524,161
Total	5,984,474	9,199,384	11,872,451	27,056,309

* 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 4 – PROPERTY TAXES

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

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

In November of 2009, San Juan County voters approved an increase in the County's general tax levy of 12 cents per \$1,000 of valuation. This levy was adopted for six years only and will sunset, unless amended, at the end of 2015. In 2011, this levy represented a levy rate of \$0.1221515452 per \$1,000 on an assessed valuation of \$8,136,499,332 for a total levy of \$993,885.97.

Including the 6-year levy lid lift, the County's regular levy, including the portion of the county road levy shifted to the general fund, for the year 2011 was \$0.6527390876 per \$1,000 on an assessed valuation of \$8,136,499,332 for a total levy of \$5,311,011.

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 2011 was \$0.4232332783 per \$1,000 on an assessed valuation of \$7,581,724,960 for a total road levy of \$3,208,838.

Notes, continued

The County levied an additional diverted road levy as authorized by RCW 84.52.043 (1) (d). The diverted road levy for 2011 was \$0.0720152739 per \$1,000 on an assessed valuation of \$7,581,724,960 for a total diverted levy of \$546,000.

There is an additional conservation futures levy by the county for the purpose of acquisition of open space, land, or rights to future development of land. The conservation futures levy for 2009 was \$0.0340693557 per \$1,000 on an assessed valuation of \$8,136,499,332 for a total conservation futures levy of \$277,205.

NOTE 5 – INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2011:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/11</u>	<u>New Loans</u>	<u>Repay- ments</u>	<u>Balance 12/31/11</u>
Solid Waste	ER&R *	\$571,981	\$0	\$171,981	\$400,000
Solid Waste	Mental Health Tax	\$100,000	\$0	\$100,000	\$0
Solid Waste	Public Facilities	\$200,000	\$0	\$100,000	\$100,000
Solid Waste	Other Grants/Septic Loans	\$100,000	\$0	\$0	\$100,000
Solid Waste	Auditor's Doc Pres	<u>\$200,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$200,000</u>
Total SW Loans		\$1,171,981	\$0	\$371,981	\$800,000
Capital Improvement	Public Facilities	\$100,000	\$0	\$100,000	\$0
Emergency Mgt	Public Facilities	<u>\$17,000</u>	<u>\$0</u>	<u>\$17,000</u>	<u>\$0</u>
TOTALS		\$1,288,981	\$0	\$488,981	\$800,000

* A loan of \$46,981 was incorrectly stated as \$46,819 in the 2010 Notes. It is corrected here.

NOTE 6 – LONG-TERM DEBT

The Accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the County and summarizes the County's debt transactions for 2011. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2011	2,757,608.76	309,899.86	3,067,508.62
2012	2,693,588.45	327,281.11	3,020,869.56
2013	2,721,571.43	323,999.86	3,045,571.29
2014	2,732,969.07	325,937.36	3,058,906.43
2015	829,741.71	271,501.65	1,101,243.36
2016	824,699.23	221,841.00	1,046,540.23
2017-2021	3,037,849.86	1,007,261.04	4,045,110.90
2022-2026	2,500,707.68	898,761.30	3,399,468.98
2027-2031	1,589,620.40	357,340.00	1,946,960.40
2032-2036	1,595,750.00	0.00	1,595,750.00
Totals	21,284,106.59	4,043,823.18	25,327,929.77

Notes, continued

NOTE 7 – 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, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS), Plans 1, 2, and 3; Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), Plans 1 and 2; and Public Safety Employees' Retirement System (PSERS), Plan 2. Actuarial information is on a system-wide basis and is not considered pertinent to San Juan County's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

NOTE 8 – OTHER DISCLOSURES

Cash Reconciliation Issues. In 2010, San Juan County received a finding on its 2009 annual audit because of a failure to reconcile general ledger balances with bank statement balances. The problem appeared to have started with the implementation of new financial management system in 2006. Because the Treasurer's Office was short-handed, the Auditor's Office took on the task of resolving the error.

We initially approached the problem by trying to go back to 2006 and reconcile forward. We discovered, however, that historic practice in the Treasurer's Office had been to reconcile not to the bank statements, but to an internal ledger kept by the Treasurer. Recognizing then that there was no clear beginning date at which the general ledger was reconciled to the bank statements, we changed our approach; rather than reconciling forward from 2006, we started with January 2011 and reconciled backward from there.

By early 2011 we had identified the difference between the general ledger and the bank account, and continued to reconcile each month on a timely basis in order to stay current. We continued through February of 2012 to reconcile backward, also, eventually reconciling each month in 2011, 2010, 2009, and part of 2008.

The difference between cash and GL at the end of 2010 was \$108,430.08. We found and corrected errors in the preceding years that reduced the difference to \$42,749.88. At the end of February, 2012, we concluded that it was not likely to be cost effective to continue to search backwards, so we ended the project. An adjusting entry of \$42,749.88 was made to operating cash reserves in the County's General (Current Expense) Fund in the budget amendment of May 8, 2012.

The Auditor's Office continues to reconcile monthly on a timely basis.

Notes, continued

Interfund Loans. The County's financial finding for 2009 noted that the County should be using formal interfund loans to resolve negative fund balances. The County concurred with this finding, as well as with the larger issue that funds should be managed in such a way as to avoid negative fund balances. To that end, the County Finance Committee recommended, and the County Council authorized, several interfund loans to cover remaining negative fund balances in three funds. All interfund loans are reported in Note 5 above.

The fund with the largest, and continuing, negative fund balance is the Solid Waste Fund. This fund had a negative balance since November of 2008, until the interfund loans were made in December of 2010. The County Council committed to either passing a ballot measure to provide stable funding for Solid Waste, or reducing operations to a sustainable level, by the end of 2011.

A ballot measure which proposed a parcel-based user charge to support Solid Waste capital and operations failed in November of 2011. As a result, the County is in the process of winding down Solid Waste operations, with the goal of being out of the Solid Waste business by the end of September 2012. Options for route-collected systems and for operation of solid waste facilities by external entities are both being considered.

The end of Solid Waste as a County operation means that we have no ability to pay back the \$800,000 in outstanding interfund loans through operations. We therefore entered into a bond agreement in May, 2012, to borrow \$800,000 to repay those loans. The payments on the bond will be made out of the solid waste excise tax collected from private operators after September 2012.

Solid Waste – ER&R Property Reconciliation. Some properties held by the San Juan County Solid Waste Funds and the San Juan County ER&R Fund have been either idle, or in use by the opposite fund, for some years. In an attempt to reconcile ownership and use of the funds, and to take the first step toward disposing of surplus real property, the Funds effected a multi-property exchange of properties and cash in January of 2011. In the exchange, property purchased in 2005 ("Beaverton Valley Property") for a new solid waste facility, which has since been rejected for that purpose, was transferred to ER&R. In addition to the equity and liabilities on the property, a share of the equity in the closing costs of the original transaction was also transferred to ER&R. Property on Lopez Island ("Lopez Landfill Property"), which is not in use and is now intended for future sale as surplus property, was transferred to ER&R. In this regard, ER&R is acting as a holding agency for the future surplus sale. Another parcel on Lopez Island ("Lopez Drop Box Property"), currently held by ER&R, was transferred to Solid Waste, which is using the property as a solid waste drop box facility. In addition, an older loan from ER&R to Solid Waste was paid off during the exchange. The net of all transactions was a \$465,727.65 transfer of cash to Solid Waste. Amounts are shown in the table below.

PRIOR ASSET OWNERSHIP/VALUE	SOLID WASTE FUNDS	ER&R FUND
Beaverton Valley Property (12 Acres)	\$372,600.00	
Lopez Landfill Property (20 Acres)	\$266,000.00	
Lopez Drop Box Property (2.6 Acres)		\$141,000.00
Solid Waste closing cost equity	\$10,560.98	
Existing Loan from ER&R		\$42,433.33
TOTALS	\$649,160.98	\$183,433.33
NET	\$465,727.65	

Notes, continued

New Taxing District. In November of 2009 the voters of Orcas Island created a new taxing jurisdiction called Orcas Island Park and Recreation District. In February of 2011 the district successfully passed a levy of 10 cents per \$1000 of assessed valuation. Collection of tax revenues for the district will begin in 2012.

Conservation District. Effective January, 2011, the San Juan County Conservation District opted to begin acting as its own Treasurer, as permitted by statute. Since then, the Treasurer continues to transfer collections for the district into its bank account, but we have no other financial ties to the district.

Hospital District. The San Juan County Public Hospital District #1 has entered into an agreement with Peace Health Medical Group to build and operate a hospital on San Juan Island. Taxes collected by the hospital district will be paid to the new Peace Island Medical Center to subsidize health care services in the district. Effective with the April, 2012, payroll, Peace Health Medical took over payroll for the doctors on the hospital district's staff.

Additional Real Estate Excise Tax. In March of 2011 the County Council adopted, by Ordinance #5-2011, an additional ¼ percent real estate excise tax (REET2) authorized by RCW 82.46.035 for counties that plan under the Growth Management Act (RCW 36.70A.040(1)). The tax will be effective for sales of real estate on or after May 1, 2011.

Minority Interests and Joint Operating Agreements. In 1988, one of the conditions of the San Juan County Hotel/Motel Tax Capital Fund \$250,000 grant gave the County a 10.26% undivided minority interest in the San Juan Community Theater's real property. In 1999, the County acquired a 17% (\$250,000) minority interest in the Lopez Community Center. This was also done using Hotel/Motel funds. The San Juan Community Theater and Lopez Community Center are the operating managers of these facilities through its board of trustees as a non-profit corporation. 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 for not less than \$250,000. In January of 2012 the County signed a management and operating agreement with the San Juan Community Theatre which clarifies our mutual responsibilities with regard to our shared and separate interests.

Annual Report Disclaimer

This report relates to the financial statements, services provided and other information about San Juan County, Washington, for the year ended December 31, 2011. It is based on the unaudited annual report of San Juan County to the Washington State Auditor. The San Juan County Auditor has made every effort to ensure the accuracy of the information contained herein. However, no opinion has yet been rendered on the reports, and the Auditor does not guarantee the appropriateness, accuracy or usefulness of the information.

Although this report is largely based on the County's 2011 annual report to the State Auditor, it does not include all reports submitted to the State, and some included reports are summarized. Nor is it prepared in accordance with generally accepted accounting principles (GAAP). Rather, San Juan County uses the cash basis of accounting, which is an other comprehensive basis of accounting (OCBOA). In addition, no information is presented with regard to other districts for which the County acts as fiscal agent.