

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

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**Thurston County**

Audit Period  
**January 1, 2010 through December 31, 2010**

**Report No. 1006202**

Issue Date  
**September 6, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 6, 2011

Board of Commissioners  
Thurston County  
Olympia, Washington

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

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

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

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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# **Federal Summary**

## **Thurston County January 1, 2010 through December 31, 2010**

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

### **FINANCIAL STATEMENTS**

An unqualified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

#### **Internal Control Over Financial Reporting:**

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

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

### **FEDERAL AWARDS**

#### **Internal Control Over Major Programs:**

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

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

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

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (Recovery Act)
84.390	ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States (Recovery Act)
93.558	Temporary Assistance for Needy Families
17.258	ARRA - WIA Cluster - Workforce Investment Act Adult Program (Recovery Act)
17.259	ARRA - WIA Cluster - Workforce Investment Act Youth Activities (Recovery Act)
17.260	ARRA - WIA Cluster - Workforce Investment Act Dislocated Workers (Recovery Act)
20.205	ARRA - Highway Planning and Construction (Recovery Act)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$567,984.

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

# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards***

**Thurston County  
January 1, 2010 through December 31, 2010**

Board of Commissioners  
Thurston County  
Olympia, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

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

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

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 21, 2011

# **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

Thurston County  
January 1, 2010 through December 31, 2010

Board of Commissioners  
Thurston County  
Olympia, Washington

## **COMPLIANCE**

We have audited the compliance of Thurston County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The County's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.



## ***INTERNAL CONTROL OVER COMPLIANCE***

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 21, 2011

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

**Thurston County  
January 1, 2010 through December 31, 2010**

Board of Commissioners  
Thurston County  
Olympia, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed on page 9. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Thurston County, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Debt Holding, Detention Facility Sales Tax Holding, Real Estate Excise Tax, Roads, Medic One and Public Health and Social Services funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 11 through 30 and retiree medical benefits schedule of funding progress on page 114 are not a required part of the basic financial

statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

June 21, 2011

# **Financial Section**

## **Thurston County January 1, 2010 through December 31, 2010**

### ***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2010

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Assets – 2010

Statement of Activities – 2010

Balance Sheet – Governmental Funds – 2010

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets – 2010

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2010

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Debt Holding – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Detention Facilities Sales Tax Holding – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Real Estate Excise Tax – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Medic One – 2010

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Health and Social Services – 2010

Statement of Net Assets – Proprietary Funds – 2010

Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets – 2010

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2010

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities – 2010

Statement of Cash Flows – Proprietary Funds – 2010

Statement of Fiduciary Net Assets – Fiduciary Funds – 2010

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2010

Notes to the Financial Statements – 2010

***REQUIRED SUPPLEMENTAL INFORMATION***

Retiree Medical Benefits – Schedule of Funding Progress – 2010

***SUPPLEMENTAL INFORMATION***

Schedule of Expenditures of Federal Awards – 2010

Notes to the Schedule of Expenditures of Federal Awards – 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

Thurston County's discussion and analysis provides a narrative overview and analysis of the County's financial activities for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements, which follow this discussion.

### FINANCIAL HIGHLIGHTS

- The financial health of Thurston County greatly improved during 2010, over a stable 2009, despite a nearly three year long nationwide economic downturn still affecting the country. During 2010, overall county revenues increased more than expected and, thanks to prudent planning and cautious spending, overall expenditures were lower than expected.
- Thurston County's total assets (governmental and business-type, combined) exceeded its total liabilities at December 31, 2010 by \$545.8 million, compared to \$529.6 million in 2009. This represents a 3.1% increase. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- For 2010, total net assets of the County (governmental and business-type, combined) are comprised of the following:
  1. Capital assets, net of related debt, of \$399.2 million, include property, infrastructure, and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
  2. Restricted net assets of \$127 million represent the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
  3. Unrestricted net assets of \$19.6 million represent the portion available to maintain the County's continuing obligations to citizens and creditors.
- Thurston County reported a positive change in governmental net assets as of December 31, 2010 of \$10.6 million, compared to \$2.3 at the end of 2009. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- Unreserved/undesignated fund balance for the General Fund was \$15.1 million at December 31, 2010 compared to \$8.6 million at the end of 2009. This represents a 21.2% of 2010 General Fund total expenditures compared to 12.2% in 2009. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- The County's General fund total revenues increased by \$4.7 million, or 6.6%, compared to 2009 whereas expenditures increased by just \$1.2 million, or 1.7% over the same time period. Details of factors contributing to these figures are discussed later within this discussion and analysis.

- Due to a conscience effort on the part of directors and managers of General Fund offices/departments, actual 2010 expenditures were \$2.9 million, or 3.8%, under the final 2010 adopted budget level.
- During 2010, Thurston County sold General Obligation Bonds of \$27.8 million to finance several construction projects and to advance refund general obligation bonds issued in 2002. This caused the County's total long term debt at December 31, 2010 to increase to \$107.1 million with a remaining capacity for non-voted debt of \$292.3 million. Details of factors contributing to this increase are discussed later within this discussion and analysis.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Thurston County's basic financial statements. Thurston County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Thurston County's finances in a manner similar to a private sector business. Thurston County reports two Government-wide financial statements: the statement of net assets and the statement of activities.

The **statement of net assets** presents information on all of Thurston County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues related to uncollected taxes and expenses related to earned but unused vacation leave and sick leave. This statement separates program income (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users can identify the extent to which each program relies on taxes for funding.

The government-wide financial statements distinguish functions of Thurston County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include services provided to the public such as law enforcement and public safety; road construction and maintenance; recreation and open space preservation; employment and training; public health and social services; and general administration. Business-type activities of Thurston County include solid waste, land use and permitting, and sewer and water management. Both of the government-wide financial statements have separate columns for two different types of County programs or activities.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Thurston County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: governmental, proprietary, or fiduciary.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information is useful in evaluating a government's near-term financing requirements in comparison to available near-term resources.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances present separate columns for financial data for the following funds: General, Debt Holding, Detention Facility Sales Tax Holding, Real Estate Excise Tax, Roads, Medic One, Public Health and Social Services, and Other Governmental, which are considered major funds for financial reporting purposes. The Other Governmental Fund aggregates data from all of the remaining non-major governmental funds into a single, combined presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements, following the notes to the financial statements.

The County maintains budgetary controls with an annual appropriated budget to ensure compliance with legal provisions. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund, all special revenue funds, debt service funds, and all capital project funds. Major fund budgetary variance statements are included with the basic financial statements, while non-major fund budget variance schedules follow the combining fund statements. Budgetary variances for the General fund are discussed in more detail later in this section.

**Proprietary funds** are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. Proprietary fund statements follow the governmental fund statements in this report. The County maintains two types of proprietary funds:



**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds account for the County's solid waste, land use and permitting, utilities planning and development, septic assistance community loan, storm water, and waste water programs. The Solid Waste and Grand Mound funds are both considered major funds for financial reporting purposes. The County reports six non-major enterprise funds.

**Internal service** funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County internal service funds include: risk management, enterprise engineering services, benefits and utilities administration, central services (facilities maintenance and construction and information technology support) and unemployment compensation, equipment rental and replacement. The utilities administration and enterprise engineering funds were closed for activity at the beginning of 2010; however, residual cash balances in each fund were not moved until early 2011. The revenues and expenses of internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements.

**Fiduciary funds** are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Thurston County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County has three types of fiduciary funds: 1) Investment Trust Funds which report the portion of the County investments that belong to other jurisdictions, 2) Private Purpose Trust Funds which report trust arrangements where the principal and interest benefit those outside of the County, and 3) Agency Funds which are clearing accounts for assets held by Thurston County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong. The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

### **Other Supplementary Information**

The section on grant schedules report a summary of amounts received and spent on federal and state awards. The statistical section presents a summary of County financial, revenue, debt, economic, demographic and performance information over the past ten years.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Analysis of Net Assets**

Net Assets serve over time as a useful indicator of a government's financial position. As indicated in the condensed financial information on the following pages, which was derived from the government-wide Statement of Net Assets, the County's combined net assets (governmental and business-type activities) were \$545.8 million at the end of 2010. This

## Thurston County, Washington 2010

reflects a net increase of \$16.2 million, or 3.1%, from 2009. This increase in equity reflects the County's continuing ability to meet its ongoing obligations which includes its debt service requirements.

Of the County's total net assets, \$399.2 million, or 73.1%, is invested in capital assets, less outstanding debt used to acquire those assets. These assets provide services to County citizens and are not available for future spending purposes. However, resources needed to repay this debt must be provided by other sources since capital assets cannot be readily liquidated to pay these liabilities. Of the County's total net assets, \$127 million, or 23.3%, are subject to external spending restrictions. External restrictions include those provided by state law or by contractual agreement with outside entities, primarily state and federal agencies. The remaining \$19.6 million, or 3.6%, which is essentially unchanged from last year (\$19.1 million, or 3.6%, in 2009) is unrestricted and represents the amount that may be used to meet the County's ongoing general purpose obligations.

Thurston County reported \$705.2 million of total assets as of December 31, 2010, compared to \$671.2 million for 2009. This represents an increase of \$34 million, or 5.1%. For 2010, \$483.1 million, or 68.5%, was reported as capital assets, which includes infrastructure and construction in progress. This represents a net increase over 2009 of \$9.9 million, or 2.1%. The majority of the net increase was due to assets being placed in service that were formerly recorded as Construction in Progress. The remaining assets include approximately \$184.1 million, or 26.1%, in cash and pooled investments (including restricted), and \$38 million, or 5.4%, in other current and long term assets.

Thurston County's total liabilities were \$159.5 million at the end of 2010 compared to \$141.6 million in 2009. Noncurrent liabilities were \$143 million as of December 31, 2010, up \$22.1 million compared to the end of 2009. This increase was primarily due to the sale of General Obligation Bonds of \$27.8 million in 2010, partially offset by a refunding of a 2002 general obligation bond issue. General obligation bonds are 67.2% of total liabilities and accumulated landfill closure costs are 11.8% of total liabilities. The other significant liability is Other Post Employment Benefits (OPEB) payable of \$11.1 million, or 6.9% of total liabilities. Current liabilities at the end of 2010 were \$16.4 million compared to \$20.7 million at this point last year. This decrease (\$4.3 million and 20.7%) was primarily due to a change in the method used to calculate the allocation of compensated absences between current and long term liabilities. In 2009 the current amount of compensated absences reported was \$4.9 million whereas that same figure for 2010 is approximately \$357,000. The county believes this change was necessary to reflect a more accurate pattern of historical activity in this liability account.

The condensed financial information that follows is derived from the Government-Wide Statement of Net Assets and reflects how the County's net assets in 2010 compare with 2009:

**Thurston County Net Assets**

Account	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	
	2010	2009	2010	2009	2010	2009
Assets	\$ 185,006,195	\$ 164,060,698	\$ 37,133,032	\$ 33,983,011	\$ 222,139,227	\$ 198,043,709
Capital Assets	443,798,950	435,497,051	39,306,961	37,695,440	483,105,911	473,192,491
Total Assets	628,805,145	599,557,749	76,439,993	71,678,451	705,245,138	671,236,200
Current Liabilities	13,981,366	18,477,474	2,454,944	2,237,481	16,436,310	20,714,955
Long Term Liabilities	113,690,368	91,297,210	29,355,190	29,618,237	143,045,558	120,915,447
Total Liabilities	127,671,734	109,774,684	31,810,134	31,855,718	159,481,868	141,630,402
Net Assets:						
Invested in Capital Assets, Net of Related Debt	369,474,630	367,485,013	29,716,183	26,673,569	399,190,813	394,158,582
Restricted	123,019,483	106,941,800	3,993,892	9,423,124	127,013,375	116,364,924
Unrestricted	8,639,298	15,356,252	10,919,784	3,726,040	19,559,082	19,082,292
Total Net Assets	\$ 501,133,411	\$ 489,783,065	\$ 44,629,859	\$ 39,822,733	\$ 545,763,270	\$ 529,605,798

**Governmental activities** – During 2010, the total net assets for governmental activities realized an increase of \$11.4 million compared to 2009. Much of this increase is ultimately attributed to the increase of cash and pooled investments in the General Fund. Of the County's \$501.1 million in total net assets, \$369.5 million was invested in capital assets less any related outstanding debt used to acquire those assets. This represents an increase of \$2 million from 2009. There was a lot of activity in and out of this account during 2010; however, the increase was modest compared to 2009. For 2010, \$123 million is recorded as restricted net assets for various purposes in almost every major service area in the County. This represents an increase of \$16.1 million from the prior year and is due to the collection of more detention facility sales tax revenues, a county re-organization and the drawdown of additional bond funds. The final category of net assets, unrestricted, is \$8.6 million in 2010, a decrease of \$6.7 million, or 43.7% over 2009. These funds are available for future spending.

**Business-type activities** – Business-type activities saw an increase of \$4.8 million in total net assets in 2010 compared to 2009. Of the 2010 total net assets of \$44.6 million, \$29.7 million is invested in capital assets, net of related debt. Business-type activities use their capital assets to provide services to customers. Consequently, these assets are not available for future spending. For restricted net assets, the amount decreased by \$5.4 million compared to prior year due to a reclassification of net assets from restricted to unrestricted. As a result, the unrestricted net assets amount in 2010 of \$10.9 million, is an increase of \$7.2 million over 2009. This latter category of net assets is available for future spending in the business-type funds.

**Analysis of the Statement of Activities**

The following chart presents key elements in the Statement of Activities. In 2010, total County primary government revenues increased by \$6.5 million, or 3.1%, compared to 2009. Total County expenses decreased by \$4.1 million, or 2%, from 2010 to 2009. This overall decrease was mainly due to budget reductions taken by county offices and departments during 2010.

## Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Program Revenues:</b>						
Charges for Services	\$ 26,111,579	\$ 24,715,365	\$ 28,110,764	\$ 23,002,948	\$ 54,222,343	\$ 47,718,313
Operating Grants & Contrib.	45,542,586	45,501,657	772,906	1,063,007	46,315,492	46,564,664
Capital Grants & Contrib.	5,097,806	9,318,083	45,114	114,696	5,142,920	9,432,779
<b>General Revenues (Expenses):</b>						
Taxes	103,779,418	98,470,757	-	-	103,779,418	98,470,757
Interest and Invest. Earnings	6,018,575	6,457,964	811,036	1,029,658	6,829,611	7,487,622
Other General Revenues	247,810	381,641	27,889	22,005	275,699	403,646
<b>Total Revenues</b>	<b>186,797,774</b>	<b>184,845,467</b>	<b>29,767,709</b>	<b>25,232,314</b>	<b>216,565,483</b>	<b>210,077,781</b>
<b>Program Expenses: (Net)</b>						
General Government	8,631,534	8,569,812	-	-	8,631,534	8,569,812
Culture and Recreation	4,312,994	3,780,250	-	-	4,312,994	3,780,250
Economic Environment	15,326,356	15,850,367	-	-	15,326,356	15,850,367
Health and Human Services	45,154,389	47,548,566	-	-	45,154,389	47,548,566
Utilities and Environment	1,284,194	1,316,016	-	-	1,284,194	1,316,016
Public Safety	69,864,003	70,615,888	-	-	69,864,003	70,615,888
Transportation	26,688,315	28,651,349	-	-	26,688,315	28,651,349
Interest	4,016,966	3,459,983	-	-	4,016,966	3,459,983
Solid Waste	-	-	16,675,874	15,991,345	16,675,874	15,991,345
Water	-	-	852,396	894,297	852,396	894,297
Sewer	-	-	1,914,258	1,706,458	1,914,258	1,706,458
Stormwater	-	-	3,146,000	2,459,443	3,146,000	2,459,443
Land Use & Permitting	-	-	3,322,395	4,476,037	3,322,395	4,476,037
<b>Total Expenses</b>	<b>175,278,751</b>	<b>179,792,231</b>	<b>25,910,923</b>	<b>25,527,580</b>	<b>201,189,674</b>	<b>205,319,811</b>
<b>Excess (Deficiency) of Revenues over (under) Expenses before</b>						
<b>Transfers</b>	<b>11,519,023</b>	<b>5,053,236</b>	<b>3,856,786</b>	<b>(295,266)</b>	<b>15,375,809</b>	<b>4,757,970</b>
Transfers	(950,340)	(2,799,438)	950,340	2,799,438	-	-
<b>Change in Net Assets</b>	<b>10,568,683</b>	<b>2,253,798</b>	<b>4,807,126</b>	<b>2,504,172</b>	<b>15,375,809</b>	<b>4,757,970</b>
Ending Net Assets January 1	489,783,065	487,529,267	39,822,733	37,318,561	529,605,798	524,847,828
Prior Period Adjustment	781,663	-	-	-	781,663	-
<b>Restated Net Assets January 1</b>	<b>490,564,728</b>	<b>487,529,267</b>	<b>39,822,733</b>	<b>37,318,561</b>	<b>530,387,461</b>	<b>524,847,828</b>
<b>Ending Net Assets</b>	<b>\$ 501,133,411</b>	<b>\$ 489,783,065</b>	<b>\$ 44,629,859</b>	<b>\$ 39,822,733</b>	<b>\$ 545,763,270</b>	<b>\$ 529,605,798</b>

In 2010, Governmental activities provided \$186.8 million in revenues (86.3% of total revenues), while business-type activities provided \$29.8 million (13.7% of total revenues). The 2010 ratio of total revenues between governmental and business-type is consistent with 2009 with just a 1.7% shift to business-type from governmental activities. The two largest governmental revenues are taxes at \$103.8 million, or 55.6%, of total governmental revenues and operating grants and contributions at \$45.5 million, or 24.4%, of total governmental revenues. The remaining 20% of governmental revenues include charges for services, capital grants, interest and investment earnings and other general revenues.

The net change in governmental total revenues between 2010 and 2009 was an increase of nearly \$2 million. The largest increase in governmental revenues was taxes of \$5.3 million followed by charges for services of \$1.4 million. These increases were offset by decreases in capital grants and contributions of \$4.2 million.

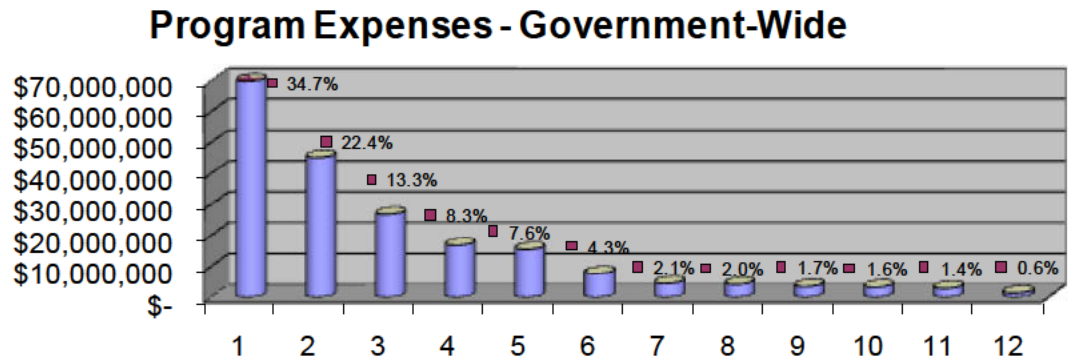
## Thurston County, Washington 2010

In 2010, charges for services accounted for \$28.1 million, or 94.4%, of total business-type revenues. Within this category, the Solid Waste fund revenues accounted for \$19.9 million, or 70.9%.

The County decreased total primary governmental expenses by \$4.1 million, to \$201.2 million, in 2010. The governmental activity decrease was mainly in Transportation, Health and Human Services, and Public Safety with a slight increase offset in Culture and Recreation and Interest. The governmental and business-type expense distribution in 2010 closely resembles the distribution from the prior year as \$175.3 million, or 87.1% was in governmental activities and \$25.9 million, or 12.9%, was in business-type activities. Public Safety, Health and Human Services, and Transportation programs comprise 80.9% of governmental expenses and 70.4% of total expenses.

In 2010, Solid Waste comprised \$16.7 million, or 64.4%, of the \$25.9 million in business-type expenses. This represents a modest increase of just under \$0.7 million over 2009. Overall expenses in business-type activities increased by just under \$0.4 million compared to 2009. This represents a slight increase of 1.5%.

The following graph illustrates the distribution of expenses by program for both governmental and business type activities.



### Legend:

- |                         |                         |                          |                             |
|-------------------------|-------------------------|--------------------------|-----------------------------|
| 1. Public Safety        | 4. Solid Waste          | 7. Culture & Recreation  | 10. Stormwater              |
| 2. Health & Human Serv. | 5. Economic Environment | 8. Interest              | 11. Water & Sewer           |
| 3. Transportation       | 6. General Government   | 9. Land Use & Permitting | 12. Utilities & Environment |

## FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

Following is an analysis of the county's major governmental and proprietary funds.

### **Governmental Funds Analysis**

The focus of Thurston County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Unreserved/undesignated fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year.

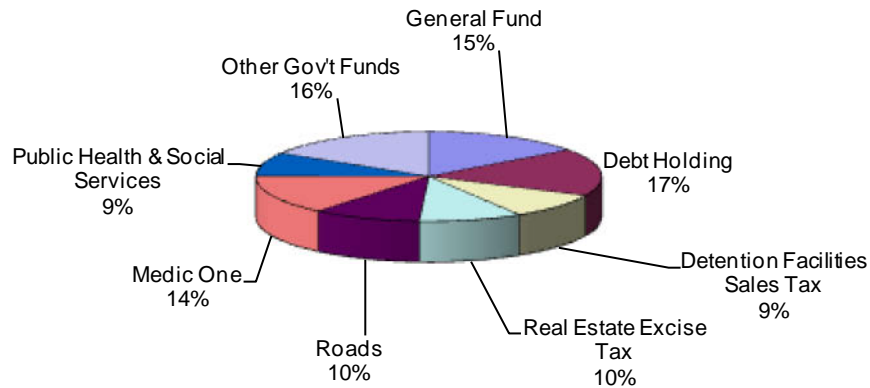
As of December 31, 2010, the County's governmental funds reported combined ending fund balances of \$127.1 million, an increase of \$19.4 million, or 18%, compared with the prior year. This increase was due mainly to increase in cash in the General Fund (after taking into account the payoff of a \$6 million Interfund loan, discussed later), and an increase in cash in the Debt Holding fund due to the sale of GO bonds and subsequent drawdown of funds (\$24.5 million of unreserved fund balance was reported in the Debt Holding fund at year-end 2010). While these funds are reported as unreserved, they are, in essence, restricted to fund specific construction activities and programs.

In 2010, total assets in the governmental funds increased \$13.6 million compared to 2009. The largest increase in assets was in Cash and Pooled Investments of \$20.4 million and the largest decrease was in Advances To Other Funds of \$6.3 million. The majority of this decrease is due to the payoff of an interfund loan by the General Fund discussed earlier. Within cash and pooled investments, the largest increase, also discussed earlier, was in the Debt Holding fund which increased its cash balance by \$11.4 million over 2009. The Detention Facility Sales Tax Holding fund's cash balance also increased by \$4.7 million due to an increase of a local sales tax rate. The largest cash decrease was in the County's Real Estate Excise Tax fund which realized a decrease of \$3.7 million. The main driver here was a \$1.6 million transfer to a neighboring jurisdiction, the City of Lacey, to liquidate the county's portion of a joint venture. Details on this transaction can be found in Note XIII later in this report.

In 2010, total liabilities decreased by \$5.7 million over 2009 levels. This was primarily due to the payoff of the \$6 million loan. This was recorded as Advances From Other Funds in the General Fund and was paid off on 4/30/2010. All other liabilities remained fairly constant compared to 2009.

The following chart shows the distribution of total assets for all major governmental funds:

## Total Assets - Governmental Funds

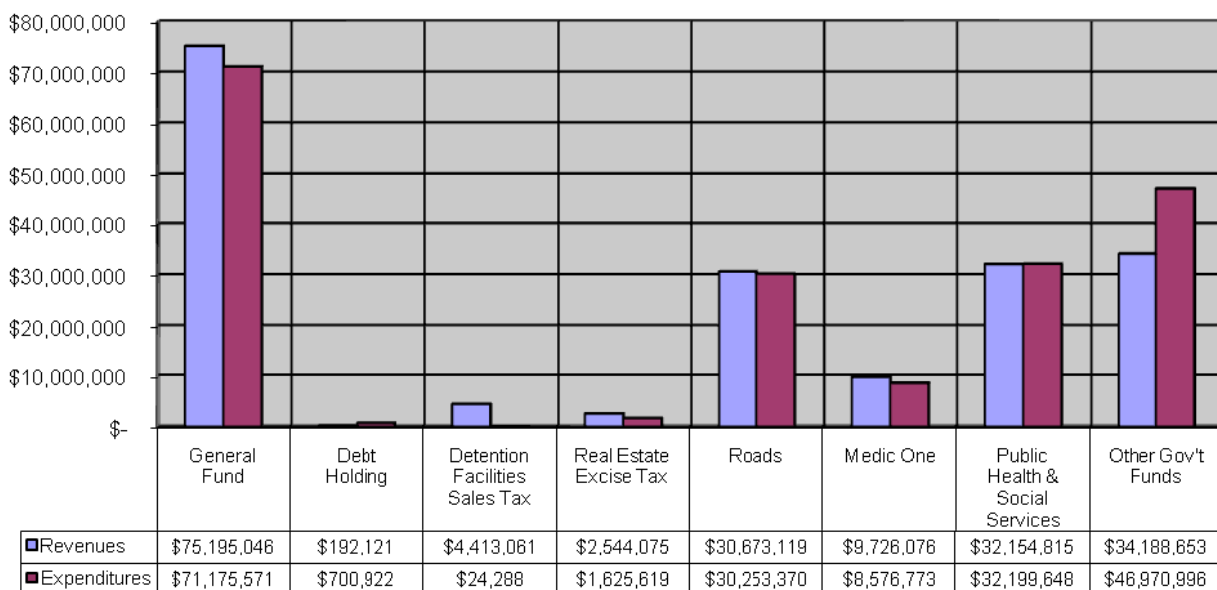


Governmental Fund revenues in 2010 exceeded 2009 levels by \$4.8 million, or 2.6%. The increase was primarily due to stronger than expected tax collections and an unanticipated collection of impact fees in the Roads fund.

Governmental expenditures in 2010 were lower than 2009 by \$23.6 million, or 11%. The category that decreased the most from 2009 was Capital Outlay by \$21.5 million. This was due to a large amount of construction expenditures happening in 2009 related to the completion of the County's Accountability and Restitution Center.

The following chart shows revenues and expenditures for Thurston County's eight major governmental funds, including the Other Governmental Funds. Charted revenues and expenditures exclude other financing sources/uses and transfers.

## Governmental Fund Revenues and Expenditures



In 2010, the General Fund, Public Health and Social Services Fund and Roads Fund account for 73% of total revenues and 69.8% of total expenditures. The percentage difference between revenues and expenditures is due to taxes receipted into the Detention Facilities Sales Tax fund categorized as revenues and in transfers out of the Detention Facilities Sales Tax fund for construction expenditures categorized as Other Financing Sources (instead of revenues).

For 2010, the County is reporting the following as major governmental funds: General, Debt Holding, Detention Facility Sales Tax Holding, Real Estate Excise, Roads, Medic One, Public Health and Social Services, and Other Governmental.

The following are highlights related to each major fund in 2010:

The **General Fund** is the chief operating fund of the County. Including net transfers and capital lease financing, the General Fund unreserved fund balance was \$15.1 million at the end of 2010, compared to \$8.6 million at the end of 2009. General Fund total assets were \$21.4 million and total liabilities were \$6.4 million at the end of 2010. Assets increased by just 6% whereas liabilities decreased by 45.4% compared to 2009. As previously discussed, the decrease in liabilities was mainly due to the \$6 million interfund loan paid off by the General Fund.

General Fund revenues increased by \$4.7 million, or 6.6%, from 2009 to 2010. This increase was mainly due to increased property and sales tax revenues and more grant funding received. Overall expenditures in the General Fund for 2010, compared to 2009, increased slightly by \$1.2 million, or 1.7%. Economic Environment and Interest charges were the categories that increased the most in 2010 and the Public Safety category, on the other hand, decreased the most.



The **Debt Holding Fund** was created in 2009 for the purpose of accounting for the receipt of bond funds for the 2009 & 2010 bond issues and to transfer out funds to Capital Projects Funds as expenditures become due. In 2010 the fund receipted in over \$28.1 million in debt issuance, premiums, and proceeds on advance refunding. This fund transferred out \$9.4 million to capital project funds, and paid \$7.4 million in bond refunding and interest charges. The difference resulted in an increase of \$11.4 million to cash and pooled investments and unreserved fund balance.

The **Detention Facility Sales Tax Holding Fund** receives a dedicated 1/10-cent sales tax for future transfers for expenditures on detention-related facilities projects and debt service payments. In comparing 2010 to 2009, this fund saw a decrease in total assets of \$1.3 million, or 9%. Liabilities, which are diminutive in this fund by design, increased by about \$167,000 in 2010 compared to 2009. During 2010 revenues increased by just over \$245,000, expenditures remained very near the same level as 2009, and transfers out for continued bond payments increased by \$1.1 million. As a result, the net change in fund balance was a decrease of \$1.5 million.

The **Real Estate Excise Tax (REET) Fund** accounts for excise taxes collected from real estate transactions. Each real estate transaction is charged  $\frac{1}{2}$  of 1 percent of the value of transacted property. These moneys are restricted for various capital expenditures as stipulated in state statutes.

REET fund total assets (mainly cash and pooled investments) decreased by \$3.8 million, or 21.4% compared to 2009. Credit for this decrease goes to the housing market and the fewer number of real estate transactions during 2010. Liabilities were small and remained constant compared to 2009.

Revenues continue to be depressed and were down just under \$0.6 million, or 18.1%, in 2010 as compared to 2009. Revenues associated with this fund are directly tied to activity in the real-estate market and reflected a fourth consecutive year of reduced revenues. Expenditures increased by over \$1.6 million in 2010 due to a one-time-transaction to the City of Lacey.

From 1998 to 2010, the county participated in a joint venture with the City of Lacey on the construction and operation of a Regional Athletic Complex. During 2010, the County made a payment of \$1.6 million out of this fund to the City of Lacey. In so doing, it divested its share of ownership in the complex. Transfers out remained constant compared to 2009 with an increase of just under \$300,000 to \$4.7 million. These transfers mainly went for bond payments and various construction projects.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. In this fund, total assets increased by \$2.5 million in 2010 compared to 2009. The increase was primarily in the cash account and was due to the receipt of more taxes and impact fees. Liabilities decreased by \$0.7 million from 2009 to 2010.

Compared to 2009, revenues in the Roads fund increased by \$2.7 million, or 9.8%, and expenditures decreased by \$5.2 million, or 14.6%. The increase in revenues was described above with the cash account and the decrease in expenditures was mainly in the Capital Outlay category described earlier. Transfers Out decreased in the Roads fund by \$4 million compared to 2009. This decrease is mainly due to expenditures on a new phase of the Tilley Master Plan

project being funding by Central Services whereas in 2009 Roads fund capital was used. This also explains the decrease in the Capital Outlay category above. The result on fund balance in the Roads fund was an increase of \$3.2 million compared to 2009.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Fund total assets increased in 2010 by \$2.8 million and total liabilities decreased by just over \$0.8 million compared to 2009. Revenues and expenditures remained at a constant level compared to 2009, decreasing by \$2 million and \$2.1 million respectively. Intergovernmental payments (grants) are still the main source of revenues and Health and Human Services related Professional Services are still the main expenditure category.

Within the Public Health Fund, Transfers In increased by \$930,000 and Transfers Out decreased by nearly \$2.3 million. An increased level of treatment sales tax transfers is the source of the transfers-in and a one-time transfer of a department in the Public Health fund to another county fund in 2009 was the reason transfers-out decreased from 2009 to 2010. As a result, ending fund balance for 2010 increased by \$2 million, or 28%.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2010, Medic One's total assets increased by \$1.3 million, or 6.7%, compared to 2009. Liabilities remained relatively constant increasing at just over \$127,000. Revenues in Medic One consist primarily of voter approved property taxes. Both revenues and expenditures remained very constant in 2010 compared to 2009, at \$9.7 million (5.6% increase) and \$8.6 million (1.7% increase) respectively. As a result, ending fund balance increased by \$1.1 million in 2010.

The **Other Governmental Funds** is a major fund comprising all non-major Special Revenue, Capital Projects, and Debt Service funds of the County. During 2010 total assets in these funds remained very constant decreasing by just \$0.5 million, or 2.1%. The liabilities in these funds in 2010 saw an increase of just over \$0.5 million, or 18.5%. Revenues in the Other Governmental funds decreased by \$0.5 million, or 1.4%. During 2010, expenditures for Other Governmental Funds showed an increase of \$6.2 million, primarily as a result of a significant increase in Capital Outlay. The reason for this is that the Jail Capital Projects fund expended \$7.5 million for capital outlay in 2010. This fund was created to account for capital asset activity related to the Accountability and Restitution Center described earlier. In 2009, this fund was a major fund for reporting purposes, however, in 2010, it did not meet the criteria of a major fund. After including other financing sources, fund balance in the Other Governmental Funds decreased by nearly \$390,000, or 2%.

### **Proprietary Funds Net Assets Analysis**

Thurston County's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities. This information is presented in the same accounting format. Internal service funds, although proprietary, are not included in the following section.

### Thurston County Enterprise Net Assets

<b>Assets</b>	<b>Solid Waste</b>	<b>Grand Mound</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
Cash & Pooled Investments	\$ 6,808,071	\$ 1,953,340	\$ 3,847,121	\$ 12,608,532
Other Current Assets	4,680,445	753,044	642,536	6,076,025
Restricted Assets:				
Cash and Pooled Investments	-	83,462	150,602	234,064
Total Current Assets	11,488,516	2,789,846	4,640,259	18,918,621
Long-Term Assets:				
Receivables and Deff Chrgs.	-	2,210,207	817,741	3,027,948
Capital Assets	13,367,468	15,749,746	10,189,747	39,306,961
Restrict Assets: Cash and Pooled Investments	18,533,517	-	-	18,533,517
Total Long Term Assets	31,900,985	17,959,953	11,007,488	60,868,426
Total Assets	43,389,501	20,749,799	15,647,747	79,787,047
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable/ Due To's	3,833,203	216,593	707,217	4,757,013
Restricted Liabilities - Debt	-	749,319	81,818	831,137
Total Current Liabilities	3,833,203	965,912	789,035	5,588,150
Long-Term Liabilities:				
Limited G.O. Bonds Payable	-	7,873,208	-	7,873,208
Comp Abs & OPEB Payable	503,611	79,286	751,609	1,334,506
Intergov. Loans & Contracts Payable	-	77,476	1,324,133	1,401,609
Advances From Other Funds	-	-	344,982	344,982
Accumulated Landfill Closure Costs	18,745,867	-	-	18,745,867
Total Long Term Liabilities	19,249,478	8,029,970	2,420,724	29,700,172
Total Liabilities	23,082,681	8,995,882	3,209,759	35,288,322
<b>Net Assets</b>				
Invested in Capital Assets, Net Rel. Debt	13,367,468	7,044,578	9,304,137	29,716,183
Restricted For:				
Postclosure, Net Of Related Liability	415,365	-	-	415,365
Debt Service	-	2,693,799	884,728	3,578,527
Unrestricted (Deficit)	6,523,987	2,015,540	2,249,123	10,788,650
<b>Total Net Assets</b>	<b>\$ 20,306,820</b>	<b>\$ 11,753,917</b>	<b>\$ 12,437,988</b>	<b>\$ 44,498,725</b>

The Solid Waste and Grand Mound utilities are the only major enterprise funds for Thurston County.

The **Solid Waste Fund** provides solid waste disposal and reduction services to the citizens of Thurston County. The **Grand Mound Fund** provides water and waste water services to residents of Grand Mound in southern Thurston County. These funds comprise 80.4% of enterprise assets and 90.9% of enterprise liabilities.

Combined net assets for enterprise funds were \$44.5 million in 2010, of which \$32.1 million, or 72.1%, resided in the two major funds noted above. Of the total enterprise funds' net assets, \$29.7 million, or 66.8%, are capital assets net of related debt, whereas \$10.8 million, or 24.2%,

Thurston County, Washington 2010

are unrestricted. Unrestricted net assets increased by \$7.6 million from 2009. Total assets for all of the enterprise funds increased over 2009 by \$5.8 million, or 7.9%. The majority of this increase was in the Cash and Pooled Investments account as, during 2010, the Board of County Commissioners approved a substantial rate increase at the Waste and Recovery Center accounted for in the Solid Waste Fund. As a result, cash increased in that fund by \$4.3 million over 2009. Total Liabilities in the Enterprise funds were \$35.3 million which represented an increase of \$1.5 million over 2009, mainly in the Due To Other Funds account.

**Proprietary Funds Revenue/Expense Analysis**

The following table is a summary of enterprise fund revenues and expenses in 2010.

**Thurston County Washington  
Enterprise Funds Revenues and Expenses**

	<b>Solid Waste</b>	<b>Grand Mound</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Revenues:</b>				
Charges for Services	\$ 19,925,078	\$ 1,406,431	\$ 7,517,057	\$ 28,848,566
Miscellaneous	11,545	11,316	5,028	27,889
Interest Revenue	531,941	177,957	101,138	811,036
Other Nonoperating Revenue	-	(50,827)	514,243	463,416
Total Revenues	20,468,564	1,544,877	8,137,466	30,150,907
<b>Expenses:</b>				
Salaries and Benefits	2,703,976	384,766	4,296,993	7,385,735
Other Supplies and Expenses	259,762	55,862	162,881	478,505
Contractual Services	1,465,962	211,618	985,197	2,662,777
Longhaul Contract	10,332,231	-	-	10,332,231
Interfund Services and Charges	1,252,100	168,719	1,771,553	3,192,372
Depreciation/Amortization	850,415	444,414	783,213	2,078,042
Misc. Nonoperating Expenses	172,463	474,340	38,931	685,734
Total Expenses	17,036,909	1,739,719	8,038,768	26,815,396
Income (Loss) Before Contrib. and Trans.	3,431,655	(194,842)	98,698	3,335,511
Capital Contributions	-	38,530	-	38,530
Transfers In (Out)	(50,129)	875,515	124,954	950,340
Change in Net Assets	3,381,526	719,203	223,652	4,324,381
Net Assets as of January 1	16,925,294	11,034,714	12,214,336	40,174,344
Net Assets as of December 31	\$ 20,306,820	\$ 11,753,917	\$ 12,437,988	\$ 44,498,725

Total operating revenues from charges for services in 2010 are \$28.8 million and comprise 95.7% of total enterprise operating and non-operating revenues. Total operating revenues for enterprise funds increased by \$5.4 million from 2009 mainly because of the rate increase discussed above. Please note that operating revenues and expenses are not segregated within the accompanying summarized table whereas they are segregated within the fund financial statements.

The **Solid Waste Fund** has provided waste disposal and reduction services through a solid waste transfer facility since 1999 at the Hawk's Prairie Solid Waste and Recovery Center. Solid

waste was disposed at a landfill at this site prior to that time. Maintenance of the closed landfill is fully funded through post closure reserves generated from landfill revenues prior to closure. Solid Waste Fund revenues comprise 67.9% of total enterprise revenues and 63.5% of total enterprise expenditures.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 5.1% of total enterprise revenues and 6.5% of total enterprise expenses. Interest revenues comprise 11.5% of total revenues in the Grand Mound Fund, primarily from funds reserved for the repayment of general obligation debt. In 2010, Charges for Services remained constant from 2009 and operating expenses increased slightly under \$253,000. This increase was due to adjustments the county made in its countywide cost allocation plan. Because of a significant transfer in from the Real Estate Excise Tax Fund, net assets in the Grand Mound Fund increased by \$0.7 million, or 6.5%.

The County has usually funded utility capital construction and major replacement with general facility charges and assessments. Consequently, depreciation expense comprises 35.1% of the \$1.3 million Grand Mound Fund operating expenses in 2010. In April of 2007 the County signed an agreement with the Chehalis Tribe for a \$1.6 million water-line construction and service agreement for a Great Wolf Lodge water park, convention center and hotel. The agreement states that the Grand Mound utility will provide up to 85,000 gallons of water per day to this facility. The lodge opened in the spring of 2008 and is one of the major utility users for the County.

### **General Fund Budgetary Highlights**

Thurston County adopts an annual budget in December of the preceding year. Adjustments are made to the budget throughout the year with a major review in June. The following table shows the changes between the original and final budget as of December 31, 2010. A positive variance is reported if final budget revenues exceed original budget revenues whereas a negative variance is reported if final budget revenues are less than the original budgeted revenues. The reverse is shown for expenditures. A negative variance is reported if final budget expenditures exceed original budget expenditures and a positive variance is shown if the original budget expenditures exceeds the final budgeted expenditures.

## Thurston County General Fund Changes in Budget

	Original Budget	Final Budget	Variance Pos (Neg)
<b>Revenues:</b>			
Taxes	\$ 50,398,599	\$ 50,398,599	\$ -
Licenses & Permits	1,652,406	1,652,406	-
Intergovernmental	7,966,432	9,082,067	1,115,635
Charges for Services	8,590,044	8,477,367	(112,677)
Fines & Forfeitures	1,598,650	1,598,650	-
Miscellaneous	1,280,120	1,301,629	21,509
<b>Total General Revenues</b>	<b>71,486,251</b>	<b>72,510,718</b>	<b>1,024,467</b>
Other Financing Sources	4,297,628	4,382,974	85,346
<b>Total Revenues</b>	<b>\$ 75,783,879</b>	<b>\$ 76,893,692</b>	<b>\$ 1,109,813</b>
<b>Expenditures by Department:</b>			
Assessor's Office	\$ 3,239,430	\$ 3,239,430	\$ -
Auditor's Office	4,924,184	4,953,625	(29,441)
Assigned Counsel	2,738,784	2,859,761	(120,977)
Civil Service	109,613	109,613	-
Clerk's Office	3,004,599	3,004,599	-
Commissioner's Office	1,516,271	1,516,271	-
Coroner's Office	896,297	898,097	(1,800)
Corrections	14,208,962	14,284,755	(75,793)
District Court	2,897,883	2,918,668	(20,785)
Human Resources	1,363,177	1,413,981	(50,804)
Juvenile Probation	6,742,095	6,742,095	-
Non-Departmental	3,572,828	3,548,212	24,616
Planning	872,721	1,246,694	(373,973)
Prosecuting Attorney	7,557,227	7,755,453	(198,226)
State Examiner	115,000	125,000	(10,000)
Sheriff	14,298,394	14,678,707	(380,313)
Superior Court	4,731,465	4,834,011	(102,546)
Treasurer's Office	1,055,577	1,055,577	-
WSU Extension	344,612	471,755	(127,143)
<b>General Fund Expenditures</b>	<b>74,189,119</b>	<b>75,656,304</b>	<b>(1,467,185)</b>
Net Changes in Fund Balances	1,594,760	1,237,388	(357,372)
Fund Balances as of January 1	5,408,780	7,046,106	1,637,326
<b>Fund Balances as of December 31</b>	<b>\$ 7,003,540</b>	<b>\$ 8,283,494</b>	<b>\$ 1,279,954</b>

For revenues, the net increase in total budgeted revenues from the original budget to the final budget was just over \$1 million, or 1.4%. The most significant increase was in the Intergovernmental category and was due to general fund offices and departments being awarded more grant revenues than originally planned.

With regard to expenditures, the net increase in total budget expenditures from the original budget to the final budget was just under \$1.5 million, or 2%. The most significant dollar value change in budget expenditures occurred in the following departments/offices:

## Thurston County, Washington 2010

- Sheriff's Office – Increase due to expenditures of grant awards during the course of the year.
- Planning Department – Increase due to a Natural Resource program being moved into this department during the year and also the department receiving and spending more grant funds during the year.
- Prosecuting Attorney – Increase due to expenditures of grant awards during the course of the year.

The budgeted ending fund balance was \$8.3 million, an increase of \$1.3 million from the original budgeted ending fund balance. The net change (variance) in budgeted fund balance for the general fund was a reduction of just over \$357,000, or 6.6% of January 1, 2010 original budget fund balance.

### **General Fund Budget to Actual Variances**

The table on the following page summarizes differences between budget and actual for revenues and expenditures in the General Fund for 2010. Transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2010 show actual total revenues (including other financing sources) at \$79.2 million, \$2.4 million, or 3.1%, above the final budget and actual expenditures of \$72.7 million, \$2.9 million or 3.8% under budget. When compared to the prior year, actual total revenues (including other financing sources) increased by \$5 million, or 6.7%, whereas actual expenditures (including transfers out) decreased by just over \$0.7 million or 1%.

In regards to revenues, the two largest variances between budget and actual were in the Taxes and Intergovernmental categories. The county collected just under \$0.9 million more in taxes and it received just under \$1 million more in grant proceeds than it had planned.

The ending actual fund balance in the General Fund for 2010 was \$15.1 million. This was a \$6.5 million increase from 2009. This increase is attributed to the increased collection of property and sales taxes, as well as the successful efforts to reduce expenditures.

All offices/departments had a positive expenditure variance in 2010 with one exception, Superior Court. This department had \$8,627 more in actual expenditures vs. budgeted expenditures, which was related to a capital lease approved in 2010 by the Board of County Commissioners through a separate authorizing resolution.

## Thurston County General Fund Revenues, Expenditures & Fund Balance

	Final Budget	Actuals	Variance Pos (Neg)
<b>Revenues:</b>			
Taxes	\$ 50,398,599	\$ 51,279,799	\$ 881,200
Licenses & Permits	1,652,406	1,814,262	161,856
Intergovernmental	9,082,067	10,058,342	976,275
Charges for Services	8,477,367	8,994,989	517,622
Fines & Forfeitures	1,598,650	1,912,601	313,951
Miscellaneous	1,301,629	1,135,053	(166,576)
<b>Total General Revenues</b>	<b>72,510,718</b>	<b>75,195,046</b>	<b>2,684,328</b>
Total Other Financing Sources	4,382,974	4,054,575	(328,399)
<b>Total Revenues</b>	<b>\$ 76,893,692</b>	<b>\$ 79,249,621</b>	<b>\$ 2,355,929</b>
<b>Expenditures by Department:</b>			
Assessor's Office	\$ 3,239,430	\$ 3,237,834	\$ 1,596
Auditor's Office	4,953,625	4,623,342	330,283
Assigned Counsel	2,859,761	2,817,668	42,093
Civil Service	109,613	19,670	89,943
Clerk's Office	3,004,599	2,986,471	18,128
Commissioner's Office	1,516,271	1,479,407	36,864
Coroner's Office	898,097	877,393	20,704
Corrections	14,284,755	13,877,632	407,123
District Court	2,918,668	2,744,013	174,655
Human Resources	1,413,981	1,192,420	221,561
Juvenile Probation	6,742,095	6,445,560	296,535
Non-Departmental	3,548,212	2,845,470	702,742
Planning	1,246,694	1,152,296	94,398
Prosecuting Attorney	7,755,453	7,659,076	96,377
State Examiner	125,000	123,284	1,716
Sheriff	14,678,707	14,366,625	312,082
Superior Court	4,834,011	4,842,638	(8,627)
Treasurer's Office	1,055,577	1,018,650	36,927
WSU Extension	471,755	439,000	32,755
<b>General Fund Expenditures</b>	<b>75,656,304</b>	<b>72,748,449</b>	<b>2,907,855</b>
Net Changes in Fund Balances	1,237,388	6,501,172	5,263,784
Fund Balances as of January 1	7,046,106	8,565,102	1,518,996
<b>Fund Balances as of December 31</b>	<b>\$ 8,283,494</b>	<b>\$ 15,066,274</b>	<b>\$ 6,782,780</b>

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

Thurston County's total net investment in governmental and business-type capital assets was \$483.1 million at year end. Of this total, \$280.5 million (58.1%) are non-depreciable assets and \$202.6 million (41.9%) are depreciated. Capital assets comprise 68.5% of total assets. Capital



## Thurston County, Washington 2010

assets include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. A capital asset breakdown is provided in Note VI within the financial statement section.

Government-wide, net depreciable assets increased by \$39.2 million in 2010, while non-depreciable assets decreased by \$29.3 million. The main reason for the large shift in assets from non-depreciable to depreciable was due to the recent completion of the Accountability and Restitution Center, described earlier. This asset was moved out of construction in progress status and into a Central Services fund where it is now being depreciated.

### **Long-Term Debt**

Total general obligation debt outstanding at year end was \$107.1 million (\$98.5 million in governmental activities and \$8.6 million in Business-type activities). This total represents an increase of \$17 million over 2009 and was due to the issuance of \$27.8 million in general obligation debt in late 2010. The \$10 million difference here was because part of this new bond issuance included a refunding of outstanding general obligation bonds issued in 2002, as well as required annual payments on other bond issues.

At the end of 2010, the County has the capacity to issue \$407.2 million in debt without a vote under the limitation of indebtedness statute. Debt liabilities exceed assets reserved for debt repayment by \$108.4 million. This leaves \$298.8 million of additional indebtedness available under the 1.5% limit of taxable property value. See financial statement note VIII for more information on the various debt issuances outstanding and the original reason for their issuance.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Thurston County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Auditor's Office, Thurston County, 2000 Lakeridge Drive SW, Olympia, WA. 98502.

**Statement Of Net Assets**  
**December 31, 2010**  
**Page 1 of 2**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash & Pooled Investments	\$ 152,713,611	\$ 12,608,532	\$ 165,322,143
<i>Receivables:</i>			
Taxes Receivable	3,157,614	-	3,157,614
Special Assessment Receivables	74,147	467,227	541,374
Accrued Interest & Penalties	3,974,370	221,734	4,196,104
Customer Account Receivables	15,489,575	2,178,642	17,668,217
Internal Balances	735,309	(735,309)	-
Due from Other Government Units	5,701,472	596,677	6,298,149
Inventory	806,104	-	806,104
Prepayments	281,656	-	281,656
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	234,064	234,064
Total Current Assets	182,933,858	15,571,567	198,505,425
<b>Long-Term Assets:</b>			
Deferred Charges	68,482	159,807	228,289
Community Loans Receivable	-	144,164	144,164
Special Assessment Receivables	134,300	2,723,977	2,858,277
Investment in Joint Ventures, Net	1,869,555	-	1,869,555
<i>Capital Assets:</i>			
Non-Depreciable	270,373,407	10,124,323	280,497,730
Depreciable, Net	173,425,543	29,182,638	202,608,181
<i>Restricted Assets: Cash and Pooled Investments</i>	-	18,533,517	18,533,517
Total Noncurrent Assets	445,871,287	60,868,426	506,739,713
<b>Total Assets</b>	<b>628,805,145</b>	<b>76,439,993</b>	<b>705,245,138</b>

See accompanying notes to the financial statements

**Statement Of Net Assets**  
**December 31, 2010**  
**Page 2 of 2**

	Primary Government		
	Governmental	Business-Type	
LIABILITIES	Activities	Activities	Total
<b>Current Liabilities:</b>			
Accounts Payable	7,658,049	1,502,156	9,160,205
Notes/Leases Payable	138,049	69,460	207,509
Due to Other Government Units	565,631	5,789	571,420
Compensated Absences	323,804	33,076	356,880
Claims & Judgments Payable	667,562	-	667,562
Limited G.O. Bonds Payable	4,518,757	749,319	5,268,076
Special Assessment Debt - Govern. Commitment	-	81,818	81,818
Unearned Revenue	109,514	13,326	122,840
Total Current Liabilities	13,981,366	2,454,944	16,436,310
<b>Long-Term Liabilities:</b>			
Limited G.O. Bonds Payable	93,948,425	7,873,208	101,821,633
Special Assessment Debt - Govern. Commitment	-	757,069	757,069
Compensated Absences	5,859,701	598,518	6,458,219
Other Post Employment Benefits Payable	10,325,702	735,988	11,061,690
Claims & Judgments Payable	3,358,234	-	3,358,234
Notes/Leases Payable	198,306	644,540	842,846
Accumulated Landfill Closure Costs	-	18,745,867	18,745,867
Total Noncurrent Liabilities	113,690,368	29,355,190	143,045,558
<b>Total Liabilities</b>	127,671,734	31,810,134	159,481,868
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	369,474,630	29,716,183	399,190,813
<b>Restricted Net Assets:</b>			
Culture & Recreation	269,900	-	269,900
Economic Environment	4,626,700	-	4,626,700
General Government	13,632,900	-	13,632,900
Health and Human Services	20,357,100	-	20,357,100
Internal Service	23,341,183	-	23,341,183
Public Safety	43,074,800	-	43,074,800
Physical Environment	4,087,100	-	4,087,100
Transportation	13,629,800	-	13,629,800
Debt Service	-	3,578,527	3,578,527
Landfill Postclosure	-	415,365	415,365
Unrestricted (Deficit)	8,639,298	10,919,784	19,559,082
<b>Total Net Assets</b>	\$ 501,133,411	\$ 44,629,859	\$ 545,763,270

See accompanying notes to the financial statements

**Statement Of Activities**  
**For The Year Ended December 31, 2010**  
**Page 1 of 2**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants And Contributions	Capital Grants & Contributions
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 14,581,176	\$ (5,949,642)	\$ 5,418,389	\$ 18,931	\$ 94,568
Culture & Recreation	4,260,639	52,355	768,987	58,448	-
Economic Environment	14,957,885	368,471	1,563,871	13,499,260	152,341
Health & Human Services	44,292,237	862,152	4,263,352	27,516,931	-
Public Safety	67,281,650	2,582,353	8,647,506	4,193,779	42,098
Transportation	25,610,697	1,077,618	4,760,155	-	4,808,799
Utilities & Environment	1,241,527	42,667	689,319	255,237	-
Interest and Fiscal Charges	4,016,966	-	-	-	-
Total Governmental Activities	176,242,777	(964,026)	26,111,579	45,542,586	5,097,806
Business-Type Activities:					
Solid Waste	16,420,859	255,015	19,925,078	325,412	6,584
Water	796,825	55,571	650,572	-	12,843
Sewer	1,803,116	111,142	1,325,797	-	25,687
Stormwater	2,987,244	158,756	2,825,544	441,196	-
Land Use & Permitting	2,938,853	383,542	3,383,773	6,298	-
Total Business-Type Activities	24,946,897	964,026	28,110,764	772,906	45,114
Total Primary Government	\$ 201,189,674	\$ -	\$ 54,222,343	\$ 46,315,492	\$ 5,142,920

See accompanying notes to the financial statements

**Statement Of Activities**  
**For The Year Ended December 31, 2010**  
**Page 2 of 2**

Functions/Programs	Net (Expense) Revenue and Changes In Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>			
<i>Governmental Activities:</i>			
General Government	\$ (3,099,646)	\$ -	\$ (3,099,646)
Culture & Recreation	(3,485,559)	-	(3,485,559)
Economic Environment	(110,884)	-	(110,884)
Health & Human Services	(13,374,106)	-	(13,374,106)
Public Safety	(56,980,620)	-	(56,980,620)
Transportation	(17,119,361)	-	(17,119,361)
Utilities & Environment	(339,638)	-	(339,638)
Interest and Fiscal Charges	(4,016,966)	-	(4,016,966)
<b>Total Governmental Activities</b>	<b>(98,526,780)</b>	<b>-</b>	<b>(98,526,780)</b>
<i>Business-Type Activities:</i>			
Solid Waste	-	3,581,200	3,581,200
Water	-	(188,981)	(188,981)
Sewer	-	(562,774)	(562,774)
Stormwater	-	120,740	120,740
Land Use & Permitting	-	67,676	67,676
<b>Total Business-Type Activities</b>	<b>-</b>	<b>3,017,861</b>	<b>3,017,861</b>
<b>Total Primary Government</b>	<b>\$ (98,526,780)</b>	<b>\$ 3,017,861</b>	<b>\$ (95,508,919)</b>
<b>General Revenues:</b>			
<i>Taxes:</i>			
Property Taxes	\$ 61,633,139	\$ -	\$ 61,633,139
Sales Taxes	25,251,364	-	25,251,364
Shared Revenues & Entitlements	10,365,416	-	10,365,416
Business & Harvest Taxes	1,751,460	-	1,751,460
Excise Taxes	4,778,039	-	4,778,039
<i>Other General Revenues:</i>			
Interest & Investment Earnings	6,018,575	811,036	6,829,611
Miscellaneous	247,810	27,889	275,699
Transfers In/(Out)	(950,340)	950,340	-
<b>Total General Revenues, Special Items &amp; Transfers</b>	<b>109,095,463</b>	<b>1,789,265</b>	<b>110,884,728</b>
<b>Change in Net Assets</b>	<b>10,568,683</b>	<b>4,807,126</b>	<b>15,375,809</b>
Net Assets as of January 1	489,783,065	39,822,733	529,605,798
Prior Period Adjustment	781,663	-	781,663
Net Assets as of January 1 - Restated	490,564,728	39,822,733	530,387,461
<b>Net Assets as of December 31</b>	<b>\$ 501,133,411</b>	<b>\$ 44,629,859</b>	<b>\$ 545,763,270</b>

See accompanying notes to the financial statements

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**  
**Page 1 of 2**

<b>ASSETS</b>	<b>General Fund</b>	<b>Debt Holding</b>	<b>Detention Facility Sales Tax Holding</b>	<b>Real Estate Excise Tax</b>	<b>Roads</b>
<b>Assets:</b>					
Cash & Pooled Investments	\$ 11,326,879	\$ 24,452,566	\$ 13,207,134	\$ 13,783,654	\$ 10,220,836
<i>Receivables:</i>					
Taxes Receivable	1,716,941	-	-	-	882,664
Special Assessment Receivables	-	-	-	-	-
Accrued Interest & Penalties	3,715,608	26,651	23,891	26,396	3,328
Customer Account Receivables	2,737,940	-	-	-	-
Due from Other Funds	933,116	-	-	-	323,621
Due from Other Government Units	984,841	-	-	-	2,127,317
Inventory	-	-	-	-	554,044
Prepayments	5,584	-	-	-	3,264
Advances To Other Funds	-	-	-	-	344,982
<b>Total Assets</b>	<b>\$ 21,420,909</b>	<b>\$ 24,479,217</b>	<b>\$ 13,231,025</b>	<b>\$ 13,810,050</b>	<b>\$ 14,460,056</b>
<b>LIABILITIES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 869,789	\$ -	\$ 10,686	\$ 480	\$ 698,990
Due to Other Funds	113,559	-	170,759	103,691	24,601
Due to Other Government Units	16,753	-	-	-	-
Deferred Revenues	5,354,534	-	-	-	965,919
<b>Total Liabilities</b>	<b>6,354,635</b>	<b>-</b>	<b>181,445</b>	<b>104,171</b>	<b>1,689,510</b>
<b>FUND BALANCES</b>					
<b>Reserved For:</b>					
Debt Service	-	-	-	-	-
Advances	-	-	-	-	344,982
Inventories	-	-	-	-	554,044
<b>Unreserved - Designated for Petty Cash</b>					
General Fund	14,400	-	-	-	-
Special Revenue Funds	-	-	-	-	300
<b>Unreserved - Undesignated, Reported In:</b>					
General Fund	15,051,874	-	-	-	-
Special Revenue Funds	-	24,479,217	13,049,580	13,705,879	11,871,220
Capital Projects Funds	-	-	-	-	-
<b>Total Fund Balance</b>	<b>15,066,274</b>	<b>24,479,217</b>	<b>13,049,580</b>	<b>13,705,879</b>	<b>12,770,546</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 21,420,909</b>	<b>\$ 24,479,217</b>	<b>\$ 13,231,025</b>	<b>\$ 13,810,050</b>	<b>\$ 14,460,056</b>

See accompanying notes to the financial statements

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**  
**Page 2 of 2**

	Medic	Public Health	Other	Total
	One	& Social	Governmental	Governmental
		Services	Funds	Funds
<b>ASSETS</b>				
<b>Assets:</b>				
Cash & Pooled Investments	\$ 19,762,668	\$ 9,922,640	\$ 21,486,659	\$ 124,163,036
<i>Receivables:</i>				
Taxes Receivable	448,927	36,354	72,728	3,157,614
Special Assessment Receivables	-	13,941	60,206	74,147
Accrued Interest & Penalties	33,676	18,213	93,307	3,941,070
Customer Account Receivables	-	2,618	481,713	3,222,271
Due from Other Funds	-	647,690	117,850	2,022,277
Due from Other Government Units	-	1,614,566	952,072	5,678,796
Inventory	-	-	-	554,044
Prepayments	-	194	169,711	178,753
Advances To Other Funds	-	-	-	344,982
<b>Total Assets</b>	<b>\$ 20,245,271</b>	<b>\$ 12,256,216</b>	<b>\$ 23,434,246</b>	<b>\$ 143,336,990</b>
<b>LIABILITIES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 872,217	\$ 2,838,192	\$ 1,769,249	\$ 7,059,603
Due to Other Funds	792	84,598	1,108,670	1,606,670
Due to Other Government Units	-	293,554	239,864	550,171
Deferred Revenues	448,928	50,295	220,789	7,040,465
<b>Total Liabilities</b>	<b>1,321,937</b>	<b>3,266,639</b>	<b>3,338,572</b>	<b>16,256,909</b>
<b>FUND BALANCES</b>				
<b>Reserved For:</b>				
Debt Service	-	-	7,671	7,671
Advances	-	-	-	344,982
Inventories	-	-	-	554,044
<b>Unreserved - Designated for Petty Cash</b>				
General Fund	-	-	-	14,400
Special Revenue Funds	100	2,850	23,075	26,325
<b>Unreserved - Undesignated, Reported In:</b>				
General Fund	-	-	-	15,051,874
Special Revenue Funds	18,923,234	8,986,727	18,871,580	109,887,437
Capital Projects Funds	-	-	1,193,348	1,193,348
<b>Total Fund Balance</b>	<b>18,923,334</b>	<b>8,989,577</b>	<b>20,095,674</b>	<b>127,080,081</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 20,245,271</b>	<b>\$ 12,256,216</b>	<b>\$ 23,434,246</b>	<b>\$ 143,336,990</b>

See accompanying notes to the financial statements

# **Reconciliation Of The Balance Sheet Of Governmental Funds To The Statement Of Net Assets December 31, 2010**

	<b>Governmental Funds</b>
	<hr/>
<b>Fund balance as shown in the Governmental Funds Balance Sheet</b>	\$ 127,080,081
The cost of capital assets and joint ventures, which is expended and not recognized in governmental funds, is deferred to future periods in the statement of net assets	339,948,155
Debt, which is not reported in governmental funds, is reported in the statement of net assets	(98,509,916)
Assets, liabilities and resulting net assets of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net assets	128,767,912
Long term special assessment receivables and unamortized debt discount on long term debt, which is not reported in governmental funds, is reported in the statement of net assets	202,782
Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net assets	18,926,771
Compensated absences and other post employment benefits, which are not reported in governmental funds, are reported as an accrued liability in the statement of net assets	(15,151,240)
Interfund balances, which are reported in governmental and proprietary funds, are eliminated in the statement of net assets (except for a residual amount outstanding between governmental and enterprise activities)	(131,134)
	<hr/>
<b>Net assets for governmental funds as shown in Statement of Net Assets</b>	<b>\$ 501,133,411</b>
	<hr/>

See accompanying notes to the financial statements



**Statement Of Revenues, Expenditures And Changes In Fund Balances**  
**Governmental Funds**  
**For The Year Ended December 31, 2010**  
**Page 1 of 2**

	General Fund	Debt Holding	Detention Facility Sales Tax Holding	Real Estate Excise Tax	Roads
<b>Revenues:</b>					
Taxes	\$ 51,279,799	\$ -	\$ 3,960,730	\$ 2,168,653	\$ 16,313,714
Licenses & Permits	1,814,262	-	-	-	490,655
Intergovernmental	10,058,342	-	-	-	11,992,586
Charges for Services	8,994,989	-	-	14,608	1,748,233
Fines & Forfeits	1,912,601	-	-	-	-
Miscellaneous Revenue	1,135,053	192,121	452,331	360,814	127,931
<b>Total Revenues</b>	<b>75,195,046</b>	<b>192,121</b>	<b>4,413,061</b>	<b>2,544,075</b>	<b>30,673,119</b>
<b>Expenditures:</b>					
Current:					
General Government	11,929,106	11,019	-	619	-
Culture & Recreation	435,433	-	-	1,625,000	779,993
Economic Environment	1,364,121	-	-	-	-
Health & Human Services	-	-	-	-	-
Public Safety	56,327,840	-	24,288	-	1,480,342
Transportation	102,744	-	-	-	19,693,957
Utilities & Environment	571,981	-	-	-	-
Capital Outlay	133,507	-	-	-	8,273,109
Debt Service:					
Principal	93,404	-	-	-	18,599
Interest & Fiscal Charges	217,435	689,903	-	-	7,370
<b>Total Expenditures</b>	<b>71,175,571</b>	<b>700,922</b>	<b>24,288</b>	<b>1,625,619</b>	<b>30,253,370</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,019,475</b>	<b>(508,801)</b>	<b>4,388,773</b>	<b>918,456</b>	<b>419,749</b>
<b>Other Financing Sources (Uses)</b>					
Capital Lease Financing	62,281	-	-	-	56,250
Sale of Capital Assets	9,372	-	-	-	846,345
Debt Issuance	-	20,890,000	-	-	-
Premium on Debt Issuance	-	94,704	-	-	-
Bond Proceeds on Advance Refunding	-	6,950,000	-	-	-
Payment on Bond Refunding	-	(6,730,000)	-	-	-
Premium on Bond Refunding	-	185,461	-	-	-
Transfers In	3,982,922	-	-	-	3,359,677
Transfers Out	(1,572,878)	(9,443,971)	(5,869,327)	(4,700,735)	(1,500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,481,697</b>	<b>11,946,194</b>	<b>(5,869,327)</b>	<b>(4,700,735)</b>	<b>2,762,272</b>
Net Changes In Fund Balances	6,501,172	11,437,393	(1,480,554)	(3,782,279)	3,182,021
Fund Balances as of January 1	8,565,102	13,041,824	14,530,134	17,488,158	9,588,525
<b>Fund Balances as of December 31</b>	<b>\$ 15,066,274</b>	<b>\$ 24,479,217</b>	<b>\$ 13,049,580</b>	<b>\$ 13,705,879</b>	<b>\$ 12,770,546</b>

See accompanying notes to the financial statements

# Statement Of Revenues, Expenditures And Changes In Fund Balances Governmental Funds

*For The Year Ended December 31, 2010*

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	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 9,090,328	\$ 466,805	\$ 11,699,473	\$ 94,979,502
Licenses & Permits	-	563,984	-	2,868,901
Intergovernmental	214,986	28,092,743	15,965,458	66,324,115
Charges for Services	115	2,553,362	4,674,965	17,986,272
Fines & Forfeits	-	-	39,050	1,951,651
Miscellaneous Revenue	420,647	477,921	1,809,707	4,976,525
<b>Total Revenues</b>	<b>9,726,076</b>	<b>32,154,815</b>	<b>34,188,653</b>	<b>189,086,966</b>
<b>Expenditures:</b>				
Current:				
General Government	-	-	1,196,734	13,137,478
Culture & Recreation	-	-	933,985	3,774,411
Economic Environment	-	50,000	13,955,646	15,369,767
Health & Human Services	8,544,972	32,087,174	3,665,917	44,298,063
Public Safety	-	-	8,179,754	66,012,224
Transportation	-	-	771,995	20,568,696
Utilities & Environment	-	-	744,805	1,316,786
Capital Outlay	25,849	43,903	10,795,595	19,271,963
Debt Service:				
Principal	5,303	10,134	3,253,855	3,381,295
Interest & Fiscal Charges	649	8,437	3,472,710	4,396,504
<b>Total Expenditures</b>	<b>8,576,773</b>	<b>32,199,648</b>	<b>46,970,996</b>	<b>191,527,187</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,149,303</b>	<b>(44,833)</b>	<b>(12,782,343)</b>	<b>(2,440,221)</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	43,903	5,528	167,962
Sale of Capital Assets	-	2,695	132,853	991,265
Debt Issuance	-	-	-	20,890,000
Premium on Debt Issuance	-	-	-	94,704
Bond Proceeds on Advance Refunding	-	-	-	6,950,000
Payment on Bond Refunding	-	-	-	(6,730,000)
Premium on Bond Refunding	-	-	-	185,461
Transfers In	4,051	2,000,317	16,720,752	26,067,719
Transfers Out	(4,051)	(37,125)	(3,687,131)	(26,815,218)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>2,009,790</b>	<b>13,172,002</b>	<b>21,801,893</b>
Net Changes In Fund Balances	1,149,303	1,964,957	389,659	19,361,672
Fund Balances as of January 1	17,774,031	7,024,620	19,706,015	107,718,409
<b>Fund Balances as of December 31</b>	<b>\$ 18,923,334</b>	<b>\$ 8,989,577</b>	<b>\$ 20,095,674</b>	<b>\$ 127,080,081</b>

See accompanying notes to the financial statements

**Reconciliation Of The Statement Of Revenues, Expenditures And  
Changes in Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2010**

		<b>Governmental Funds</b>
<b>Change in fund balance as shown in the Governmental Funds</b>		
<b>Statement of Revenues, Expenditures and Changes in Fund Balances</b>		\$ 19,361,672
<b>Capital Assets:</b>		
Capital outlays, which are reported as expenditures in governmental funds, are capitalized and deferred to future periods and therefore not reported in the statement of activities	19,271,963	
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(8,900,385)	
Gain (Loss) on the sale and disposition of governmental capital assets, which is not reported in governmental funds, is reported in the statement of activities	<u>(1,053,788)</u>	9,317,790
<b>Long-Term Debt:</b>		
Bond and capital lease principal payments (which are reported as expenditures in governmental funds), are not reported as expenditures in the statement of activities (however, they are reported as reductions in the amount owed in the statement of net assets)	10,086,027	
Debt issues costs, and other similar costs on debt issues, which are reported as expenditures in governmental funds, are deferred in the statement of net assets and then expensed over the life of the bond issue in the statement of activities	379,538	
Long-term bond and capital lease financing proceeds (which are reported as "other financing sources" in governmental funds), are not recognized or reported in the statement of activities (however, they are reported as an increase in the amount owed in the statement of net assets for new debt).	<u>(28,288,127)</u>	(17,822,562)
<b>Interfund Transactions:</b>		
Profit or (loss) from internal service funds, which is reported separately in proprietary fund statements, is credited or charged to governmental expenses in the statement of activities	696,381	
Other interfund transactions, which are reported in governmental funds, are eliminated in the statement of activities, except for a residual amount outstanding between governmental and business activities	(1,446,771)	
Unbilled internal service costs from the County's cost allocation plan, which is not allocated to service users in governmental fund statements, is allocated to service users in the statement of activities, resulting in a residual amount outstanding between governmental and business activities	<u>964,026</u>	213,636
<b>Other:</b>		
Long term (non-available) revenues, which are deferred in governmental funds, are reported as revenues (or as a debit adjustment) in the statement of activities	1,643,027	
Compensated absences and other post employment benefits, which are not reported in governmental funds, are reported as an expense in the statement of activities	<u>(2,144,880)</u>	(501,853)
<b>Change in net assets for governmental funds as shown in the</b>		
<b>Statement of Activities</b>		<u><u>\$ 10,568,683</u></u>

See accompanying notes to the financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

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	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Revenues By Funding Source</b>				
<b>General Revenues:</b>				
Taxes	\$ 50,398,599	\$ 50,398,599	\$ 51,279,799	\$ 881,200
Licenses & Permits	1,652,406	1,652,406	1,814,262	161,856
Intergovernmental	7,966,432	9,082,067	10,058,342	976,275
Charges for Services	8,590,044	8,477,367	8,994,989	517,622
Fines & Forfeits	1,598,650	1,598,650	1,912,601	313,951
Miscellaneous Revenue	1,280,120	1,301,629	1,135,053	(166,576)
<b>Total General Revenues</b>	<b>71,486,251</b>	<b>72,510,718</b>	<b>75,195,046</b>	<b>2,684,328</b>
<b>Other Financing Sources:</b>				
Capital Lease Financing	-	-	62,281	62,281
Other Finance Sources - Capital Asset Sales	700	700	9,372	8,672
Transfers In	4,296,928	4,382,274	3,982,922	(399,352)
<b>Total Other Financing Sources</b>	<b>4,297,628</b>	<b>4,382,974</b>	<b>4,054,575</b>	<b>(328,399)</b>
<b>Total Revenues</b>	<b>\$ 75,783,879</b>	<b>\$ 76,893,692</b>	<b>\$ 79,249,621</b>	<b>\$ 2,355,929</b>

See accompanying notes to the financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

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	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Expenditures by Department</b>				
<b>Assessor's Office:</b>				
General Government	\$ 3,239,430	\$ 3,239,430	\$ 3,237,834	\$ 1,596
<b>Total Assessor's Office</b>	3,239,430	3,239,430	3,237,834	1,596
<b>Auditor's Office:</b>				
General Government	4,916,556	4,937,861	4,556,356	381,505
Capital Outlay	-	7,476	60,900	(53,424)
Debt Service:				
Principal	6,329	6,329	4,596	1,733
Interest and Fiscal Charges	1,299	1,959	1,490	469
<b>Total Auditor's Office</b>	4,924,184	4,953,625	4,623,342	330,283
<b>Assigned Counsel:</b>				
Public Safety	2,735,284	2,856,261	2,813,241	43,020
Debt Service:				
Principal	2,000	2,000	4,172	(2,172)
Interest and Fiscal Charges	1,500	1,500	255	1,245
<b>Total Assigned Counsel</b>	2,738,784	2,859,761	2,817,668	42,093
<b>Civil Service:</b>				
Public Safety	109,613	109,613	19,670	89,943
<b>Total Civil Service</b>	109,613	109,613	19,670	89,943
<b>Clerk's Office:</b>				
Public Safety	2,984,103	2,984,103	2,961,234	22,869
Debt Service:				
Principal	9,996	9,996	20,281	(10,285)
Interest and Fiscal Charges	10,500	10,500	4,956	5,544
<b>Total Clerk's Office</b>	3,004,599	3,004,599	2,986,471	18,128

See accompanying notes to the financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

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	<b>Original 2010 Budget</b>	<b>Final 2010 Budget</b>	<b>Actual 2010</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Commissioner's Office:</b>				
General Government	1,413,637	1,413,637	1,371,331	42,306
Transportation	96,897	96,897	102,340	(5,443)
Debt Service:				
Principal	4,834	4,834	4,833	1
Interest and Fiscal Charges	903	903	903	-
<b>Total Commissioner's Office</b>	<b>1,516,271</b>	<b>1,516,271</b>	<b>1,479,407</b>	<b>36,864</b>
<b>Coroner's Office:</b>				
Public Safety	889,296	889,296	866,942	22,354
Economic Environment	3,000	4,800	6,450	(1,650)
Debt Service:				
Principal	3,603	3,603	3,603	-
Interest and Fiscal Charges	398	398	398	-
<b>Total Coroner's Office</b>	<b>896,297</b>	<b>898,097</b>	<b>877,393</b>	<b>20,704</b>
<b>Corrections:</b>				
Public Safety	14,203,162	14,254,855	13,782,798	472,057
Capital Outlay	-	-	30,925	(30,925)
Debt Service:				
Principal	5,700	5,700	5,610	90
Interest and Fiscal Charges	100	100	61	39
Transfers Out	-	24,100	58,238	(34,138)
<b>Total Corrections</b>	<b>14,208,962</b>	<b>14,284,755</b>	<b>13,877,632</b>	<b>407,123</b>
<b>District Court</b>				
Public Safety	2,895,384	2,916,169	2,741,515	174,654
Debt Service:				
Principal	1,993	1,993	1,993	-
Interest and Fiscal Charges	506	506	505	1
<b>Total District Court</b>	<b>2,897,883</b>	<b>2,918,668</b>	<b>2,744,013</b>	<b>174,655</b>

See accompanying notes to the financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

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	<b>Original 2010 Budget</b>	<b>Final 2010 Budget</b>	<b>Actual 2010</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Human Resources:</b>				
General Government	1,344,530	1,392,834	1,178,581	214,253
Public Safety	10,152	10,152	8,801	1,351
Debt Service:				
Principal	7,195	9,195	4,429	4,766
Interest and Fiscal Charges	1,300	1,800	609	1,191
<b>Total Human Resources</b>	<b>1,363,177</b>	<b>1,413,981</b>	<b>1,192,420</b>	<b>221,561</b>
<b>Juvenile Probation:</b>				
Public Safety	6,742,095	6,742,095	6,435,727	306,368
Debt Service:				
Principal	-	-	6,740	(6,740)
Interest and Fiscal Charges	-	-	3,093	(3,093)
<b>Total Juvenile Probation</b>	<b>6,742,095</b>	<b>6,742,095</b>	<b>6,445,560</b>	<b>296,535</b>
<b>Non-Departmental:</b>				
General Government	1,016,803	1,004,495	443,070	561,425
Utilities & Environment	597,508	597,508	571,981	25,527
Transportation	994	994	404	590
Economic Environment	260,575	210,575	205,375	5,200
Culture and Recreation	70,000	70,000	-	70,000
Debt Service:				
Interest and Fiscal Charges	195,000	195,000	195,000	
Transfers Out	1,431,948	1,469,640	1,429,640	40,000
<b>Total Non-Departmental</b>	<b>3,572,828</b>	<b>3,548,212</b>	<b>2,845,470</b>	<b>702,742</b>
<b>Planning:</b>				
Economic Environment	867,221	1,241,194	1,152,296	88,898
Capital Outlay	5,500	5,500	-	5,500
<b>Total Planning</b>	<b>872,721</b>	<b>1,246,694</b>	<b>1,152,296</b>	<b>94,398</b>

See accompanying notes to the financial statements

**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

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	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Prosecuting Attorney:</b>				
Public Safety	7,521,527	7,704,753	7,628,482	76,271
Capital Outlay	-	15,000	-	15,000
Debt Service:				
Principal	27,500	27,500	24,145	3,355
Interest and Fiscal Charges	8,200	8,200	6,449	1,751
<b>Total Prosecuting Attorney</b>	<b>7,557,227</b>	<b>7,755,453</b>	<b>7,659,076</b>	<b>96,377</b>
<b>State Examiner:</b>				
General Government	115,000	125,000	123,284	1,716
<b>Total State Examiner</b>	<b>115,000</b>	<b>125,000</b>	<b>123,284</b>	<b>1,716</b>
<b>Sheriff:</b>				
Public Safety	14,298,394	14,669,804	14,260,533	409,271
Capital Outlay	-	5,903	21,092	(15,189)
Transfers Out	-	3,000	85,000	(82,000)
<b>Total Sheriff</b>	<b>14,298,394</b>	<b>14,678,707</b>	<b>14,366,625</b>	<b>312,082</b>
<b>Superior Court:</b>				
Public Safety	4,725,424	4,827,970	4,808,897	19,073
Capital Outlay	-	-	20,590	(20,590) *
Debt Service:				
Principal	5,681	5,681	9,906	(4,225)
Interest and Fiscal Charges	360	360	3,245	(2,885)
<b>Total Superior Court</b>	<b>4,731,465</b>	<b>4,834,011</b>	<b>4,842,638</b>	<b>(8,627)</b>
<b>Treasurer's Office</b>				
General Government	1,055,577	1,055,577	1,018,650	36,927
<b>Total Treasurer's Office</b>	<b>1,055,577</b>	<b>1,055,577</b>	<b>1,018,650</b>	<b>36,927</b>

See accompanying notes to the financial statements



**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

**Page 6 of 6**

	<b>Original 2010 Budget</b>	<b>Final 2010 Budget</b>	<b>Actual 2010</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>WSU Extension</b>				
Culture and Recreation	341,580	468,184	435,433	32,751
Debt Service:				
Principal	1,417	3,096	3,096	-
Interest and Fiscal Charges	1,615	475	471	4
<b>Total WSU Extension</b>	<b>344,612</b>	<b>471,755</b>	<b>439,000</b>	<b>32,755</b>
<b>Total General Fund Expenditures</b>	<b>\$ 74,189,119</b>	<b>\$ 75,656,304</b>	<b>\$ 72,748,449</b>	<b>\$ 2,907,855</b>
Net Changes in Fund Balances	1,594,760	1,237,388	6,501,172	5,263,784
Fund Balances as of January 1	5,408,780	7,046,106	8,565,102	1,518,996
Fund Balances as of December 31	\$ 7,003,540	\$ 8,283,494	\$ 15,066,274	\$ 6,782,780

\* - Capital outlay lease purchase for Superior Court was approved by a separate authorizing resolution

See accompanying notes to the financial statements

**Debt Holding**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Miscellaneous Revenue	\$ 30,000	\$ 30,000	\$ 192,121	\$ 162,121
<b>Total Revenues</b>	30,000	30,000	192,121	162,121
<b>Expenditures:</b>				
Current:				
General Government	11,019	11,019	11,019	-
Debt Service:				
Interest & Fiscal Charges	-	-	689,903	(689,903) *
<b>Total Expenditures</b>	11,019	11,019	700,922	689,903
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	18,981	18,981	(508,801)	(527,782)
<b>Other Financing Sources (Uses)</b>				
Debt Issuance	10,038,925	10,038,925	20,890,000	10,851,075
Premium on Debt Issuance	-	-	94,704	94,704
Bond Proceeds on Advance Refunding	-	-	6,950,000	6,950,000
Payment on Bond Refunding	-	-	(6,730,000)	(6,730,000) *
Premium on Bond Refunding	-	-	185,461	185,461
Transfers Out	(10,038,925)	(10,038,925)	(9,443,971)	594,954
<b>Total Other Financing Sources (Uses)</b>	-	-	11,946,194	11,946,194
Net Changes In Fund Balances	18,981	18,981	11,437,393	11,418,412
Fund Balances as of January 1	-	13,041,824	13,041,824	-
<b>Fund Balances as of December 31</b>	\$ 18,981	\$ 13,060,805	\$ 24,479,217	\$ 11,418,412

\* - Debt service payments were authorized by bond resolution

See accompanying notes to the financial statements

**Detention Facilities Sales Tax Holding  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget (GAAP Basis) and Actual  
For The Year Ended December 31, 2010**

	<b>Original 2010 Budget</b>	<b>Final 2010 Budget</b>	<b>Actual 2010</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 3,914,000	\$ 3,914,000	\$ 3,960,730	\$ 46,730
Miscellaneous Revenue	372,416	372,416	452,331	79,915
<b>Total Revenues</b>	<b>4,286,416</b>	<b>4,286,416</b>	<b>4,413,061</b>	<b>126,645</b>
<b>Expenditures:</b>				
Current:				
Public Safety	16,311	16,311	24,288	(7,977)
<b>Total Expenditures</b>	<b>16,311</b>	<b>16,311</b>	<b>24,288</b>	<b>(7,977)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>4,270,105</b>	<b>4,270,105</b>	<b>4,388,773</b>	<b>118,668</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(7,491,354)	(7,491,354)	(5,869,327)	1,622,027
<b>Total Other Financing Sources (Uses)</b>	<b>(7,491,354)</b>	<b>(7,491,354)</b>	<b>(5,869,327)</b>	<b>1,622,027</b>
Net Changes In Fund Balances	(3,221,249)	(3,221,249)	(1,480,554)	1,740,695
Fund Balances as of January 1	8,461,576	14,530,134	14,530,134	-
<b>Fund Balances as of December 31</b>	<b>\$ 5,240,327</b>	<b>\$ 11,308,885</b>	<b>\$ 13,049,580</b>	<b>\$ 1,740,695</b>

See accompanying notes to the financial statements

**Real Estate Excise Tax**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
***For The Year Ended December 31, 2010***

	<b>Original 2010 Budget</b>	<b>Final 2010 Budget</b>	<b>Actual 2010</b>	<b>Variance with Final Budget Positive or (Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 2,530,080	\$ 2,530,080	\$ 2,168,653	\$ (361,427)
Charges for Services	15,575	15,575	14,608	(967)
Miscellaneous Revenue	150,000	150,000	360,814	210,814
<b>Total Revenues</b>	<b>2,695,655</b>	<b>2,695,655</b>	<b>2,544,075</b>	<b>(151,580)</b>
<b>Expenditures:</b>				
Current:				
General Government	-	-	619	(619)
Culture & Recreation	-	1,700,000	1,625,000	75,000
Transportation	5,020	5,020	-	5,020
<b>Total Expenditures</b>	<b>5,020</b>	<b>1,705,020</b>	<b>1,625,619</b>	<b>79,401</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,690,635</b>	<b>990,635</b>	<b>918,456</b>	<b>(72,179)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(8,904,000)	(9,652,000)	(4,700,735)	4,951,265
<b>Total Other Financing Sources (Uses)</b>	<b>(8,904,000)</b>	<b>(9,652,000)</b>	<b>(4,700,735)</b>	<b>4,951,265</b>
Net Changes In Fund Balances	(6,213,365)	(8,661,365)	(3,782,279)	4,879,086
Fund Balances as of January 1	15,746,171	17,488,158	17,488,158	-
<b>Fund Balances as of December 31</b>	<b>\$ 9,532,806</b>	<b>\$ 8,826,793</b>	<b>\$ 13,705,879</b>	<b>\$ 4,879,086</b>

See accompanying notes to the financial statements

**Roads and Transportation**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 16,518,689	\$ 16,518,689	\$ 16,313,714	\$ (204,975)
Licenses & Permits	367,800	367,800	490,655	122,855
Intergovernmental	18,751,848	18,984,023	11,992,586	(6,991,437)
Charges for Services	1,720,287	1,720,287	1,748,233	27,946
Miscellaneous Revenue	84,300	84,300	127,931	43,631
<b>Total Revenues</b>	<b>37,442,924</b>	<b>37,675,099</b>	<b>30,673,119</b>	<b>(7,001,980)</b>
<b>Expenditures:</b>				
Current:				
Culture & Recreation	679,883	699,983	779,993	(80,010)
Public Safety	1,784,857	1,784,857	1,480,342	304,515
Transportation	24,972,050	25,061,850	19,693,957	5,367,893
Capital Outlay	16,219,508	16,431,883	8,273,109	8,158,774
Debt Service:				
Principal	6,125	6,125	18,599	(12,474)
Interest & Fiscal Charges	1,682	1,682	7,370	(5,688)
<b>Total Expenditures</b>	<b>43,664,105</b>	<b>43,986,380</b>	<b>30,253,370</b>	<b>13,733,010</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,221,181)</b>	<b>(6,311,281)</b>	<b>419,749</b>	<b>6,731,030</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	-	56,250	56,250
Sale of Capital Assets	160,000	160,000	846,345	686,345
Transfers In	5,126,347	5,696,347	3,359,677	(2,336,670)
Transfers Out	(1,500,000)	(1,500,000)	(1,500,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>3,786,347</b>	<b>4,356,347</b>	<b>2,762,272</b>	<b>(1,594,075)</b>
Net Changes In Fund Balances	(2,434,834)	(1,954,934)	3,182,021	5,136,955
Fund Balances as of January 1	8,880,680	9,608,821	9,588,525	(20,296)
<b>Fund Balances as of December 31</b>	<b>\$ 6,445,846</b>	<b>\$ 7,653,887</b>	<b>\$ 12,770,546</b>	<b>\$ 5,116,659</b>

See accompanying notes to the financial statements

**Medic One**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 9,083,249	\$ 9,083,249	\$ 9,090,328	\$ 7,079
Intergovernmental	86,000	86,000	214,986	128,986
Charges for Services	30	30	115	85
Miscellaneous Revenue	583,864	583,864	420,647	(163,217)
<b>Total Revenues</b>	<b>9,753,143</b>	<b>9,753,143</b>	<b>9,726,076</b>	<b>(27,067)</b>
<b>Expenditures:</b>				
Current:				
Health & Human Services	11,210,388	11,210,388	8,544,972	2,665,416
Capital Outlay	360,000	360,000	25,849	334,151
Debt Service:				
Principal	5,308	5,308	5,303	5
Interest & Fiscal Charges	643	643	649	(6)
<b>Total Expenditures</b>	<b>11,576,339</b>	<b>11,576,339</b>	<b>8,576,773</b>	<b>2,999,566</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,823,196)</b>	<b>(1,823,196)</b>	<b>1,149,303</b>	<b>2,972,499</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	6,500	6,500	4,051	(2,449)
Transfers Out	(6,500)	(6,500)	(4,051)	2,449
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Changes In Fund Balances	(1,823,196)	(1,823,196)	1,149,303	2,972,499
Fund Balances as of January 1	16,915,516	17,773,931	17,774,031	100
<b>Fund Balances as of December 31</b>	<b>\$ 15,092,320</b>	<b>\$ 15,950,735</b>	<b>\$ 18,923,334</b>	<b>\$ 2,972,599</b>

See accompanying notes to the financial statements

**Public Health & Social Services**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget (GAAP Basis) and Actual**  
**For The Year Ended December 31, 2010**

	Original 2010 Budget	Final 2010 Budget	Actual 2010	Variance with Final Budget Positive or (Negative)
<b>Revenues:</b>				
Taxes	\$ 665,970	\$ 665,970	\$ 466,805	\$ (199,165)
Licenses & Permits	200,855	200,855	563,984	363,129
Intergovernmental	28,049,213	28,314,288	28,092,743	(221,545)
Charges for Services	3,426,811	3,426,811	2,553,362	(873,449)
Miscellaneous Revenue	207,177	209,177	477,921	268,744
<b>Total Revenues</b>	<b>32,550,026</b>	<b>32,817,101</b>	<b>32,154,815</b>	<b>(662,286)</b>
<b>Expenditures:</b>				
Current:				
Economic Environment	-	50,000	50,000	-
Health & Human Services	34,356,502	34,968,944	32,087,174	2,881,770
Capital Outlay	70,000	70,000	43,903	26,097
Debt Service:				
Principal	4,500	4,500	10,134	(5,634)
Interest & Fiscal Charges	2,850	2,850	8,437	(5,587)
<b>Total Expenditures</b>	<b>34,433,852</b>	<b>35,096,294</b>	<b>32,199,648</b>	<b>2,896,646</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,883,826)</b>	<b>(2,279,193)</b>	<b>(44,833)</b>	<b>2,234,360</b>
<b>Other Financing Sources (Uses)</b>				
Capital Lease Financing	-	-	43,903	43,903
Sale of Capital Assets	-	-	2,695	2,695
Transfers In	1,970,529	2,305,729	2,000,317	(305,412)
Transfers Out	(37,125)	(37,125)	(37,125)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,933,404</b>	<b>2,268,604</b>	<b>2,009,790</b>	<b>(258,814)</b>
Net Changes In Fund Balances	49,578	(10,589)	1,964,957	1,975,546
Fund Balances as of January 1	6,371,691	7,070,273	7,024,620	(45,653)
<b>Fund Balances as of December 31</b>	<b>\$ 6,421,269</b>	<b>\$ 7,059,684</b>	<b>\$ 8,989,577</b>	<b>\$ 1,929,893</b>

See accompanying notes to the financial statements

**Statement Of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**  
**Page 1 of 2**

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash & Pooled Investments	\$ 6,808,071	\$ 1,953,340	\$ 3,847,121	\$ 12,608,532	\$ 28,550,575
<i>Receivables:</i>					
Special Assessment Receivables	-	234,882	232,345	467,227	-
Accrued Interest & Penalties	45,003	168,462	8,269	221,734	33,300
Customer Account Receivables	1,916,368	152,506	109,768	2,178,642	271,484
Due From Other Funds	2,361,885	179,645	70,215	2,611,745	111,626
Due From Other Government Units	357,189	17,549	221,939	596,677	22,676
Inventory	-	-	-	-	252,060
Prepayments	-	-	-	-	102,903
<i>Restricted Assets:</i>					
Cash and Pooled Investments	-	83,462	150,602	234,064	-
Total Current Assets	11,488,516	2,789,846	4,640,259	18,918,621	29,344,624
<b>Noncurrent Assets:</b>					
Deferred Charges	-	159,807	-	159,807	-
Community Loans Receivable	-	-	144,164	144,164	-
Special Assessment Receivables	-	2,050,400	673,577	2,723,977	-
<i>Capital Assets:</i>					
Non-Depreciable	4,659,110	2,872,534	2,592,679	10,124,323	5,303,909
Depreciable, Net	8,708,358	12,877,212	7,597,068	29,182,638	100,416,441
<i>Restricted Assets : Cash and Pooled Investments</i>	18,533,517	-	-	18,533,517	-
Total Noncurrent Assets	31,900,985	17,959,953	11,007,488	60,868,426	105,720,350
<b>Total Assets</b>	43,389,501	20,749,799	15,647,747	79,787,047	135,064,974

See accompanying notes to the financial statements



**Statement Of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**  
**Page 2 of 2**

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable	1,210,376	24,960	266,820	1,502,156	598,446
Notes/Leases Payable	-	5,165	64,295	69,460	-
Due To Other Funds	2,610,897	166,489	355,820	3,133,206	5,772
Due To Other Government Units	-	5,344	445	5,789	15,460
Compensated Absences	11,930	2,409	18,737	33,076	33,363
Claims and Judgments Payable	-	-	-	-	667,562
Unearned Revenue	-	12,226	1,100	13,326	-
<i>Restricted Liabilities:</i>					
Lim.Tax G.O.Bond-Current Portion	-	749,319	-	749,319	69,483
Special Assessment Debt - Govern. Commitment	-	-	81,818	81,818	-
Total Current Liabilities	3,833,203	965,912	789,035	5,588,150	1,390,086
<b>Noncurrent Liabilities:</b>					
Limited G.O. Bonds Payable	-	7,873,208	-	7,873,208	224,138
Special Assessment Debt - Govern. Commitment	-	-	757,069	757,069	-
Compensated Absences	215,874	43,587	339,057	598,518	603,756
Other Post Employment Benefits Payable	287,737	35,699	412,552	735,988	720,848
Claims and Judgments Payable	-	-	-	-	3,358,234
Notes/Leases Payable	-	77,476	567,064	644,540	-
Advances From Other Funds	-	-	344,982	344,982	-
Accumulated Landfill Closure Costs	18,745,867	-	-	18,745,867	-
Total Noncurrent Liabilities	19,249,478	8,029,970	2,420,724	29,700,172	4,906,976
<b>Total Liabilities</b>	23,082,681	8,995,882	3,209,759	35,288,322	6,297,062
<b>NET ASSETS</b>					
Invested in Capital Assets, Net Of Related Debt	13,367,468	7,044,578	9,304,137	29,716,183	105,426,729
<b>Restricted For:</b>					
Postclosure	415,365	-	-	415,365	-
Debt Service	-	2,693,799	884,728	3,578,527	-
Unrestricted (Deficit)	6,523,987	2,015,540	2,249,123	10,788,650	23,341,183
<b>Total Net Assets</b>	\$ 20,306,820	\$ 11,753,917	\$ 12,437,988	\$ 44,498,725	\$ 128,767,912

See accompanying notes to the financial statements

**Reconciliation Of The Statement Of  
Net Assets Of Proprietary Funds  
To The Statement Of Net Assets  
*December 31, 2010***

	<b>Business Type Funds</b>
	<hr/>
<b>Enterprise net assets as shown in the Proprietary Funds Statement of Net Assets</b>	\$ 44,498,725
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<hr/>
	131,134
<b>Net assets for business-type funds as shown in Statement of Net Assets</b>	<hr/> <hr/> \$ 44,629,859

See accompanying notes to the financial statements

**Statement Of Revenues, Expenses And Changes In Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended December 31, 2010**

	Enterprise Funds				
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues:					
Charges for Services	\$ 19,925,078	\$ 1,406,431	\$ 7,517,057	\$ 28,848,566	\$ 15,573,191
Equipment Rental	-	-	-	-	6,675,835
Miscellaneous	11,545	11,316	5,028	27,889	26,707
Total Operating Revenues	19,936,623	1,417,747	7,522,085	28,876,455	22,275,733
Operating Expenses:					
Salaries and Benefits	2,703,976	384,766	4,296,993	7,385,735	7,491,050
Other Supplies and Expenses	259,762	55,862	162,881	478,505	2,413,377
Contractual Services	1,465,962	211,618	985,197	2,662,777	4,894,985
Longhaul Contract	10,332,231	-	-	10,332,231	-
Interfund Services and Charges	1,252,100	168,719	1,771,553	3,192,372	1,568,443
Depreciation/Amortization	850,415	444,414	783,213	2,078,042	4,536,563
Claims Payments	-	-	-	-	846,554
Total Operating Expenses	16,864,446	1,265,379	7,999,837	26,129,662	21,750,972
Operating Income (Loss)	3,072,177	152,368	(477,752)	2,746,793	524,761
Nonoperating Revenue (Expenses):					
Interest Revenue	531,941	177,957	101,138	811,036	378,047
Other Nonoperating Revenue (Expense)	(172,463)	(50,827)	514,243	290,953	(9,240)
Interest Expense & Fiscal Charges	-	(474,340)	(38,931)	(513,271)	(15,230)
Total Nonoperating Revenue (Expense)	359,478	(347,210)	576,450	588,718	353,577
Income Before Contributions and Transfers	3,431,655	(194,842)	98,698	3,335,511	878,338
Capital Contributions	-	38,530	-	38,530	43,639,720
Transfers In	2,358,179	1,569,350	802,557	4,730,086	1,334,401
Transfers Out	(2,408,308)	(693,835)	(677,603)	(3,779,746)	(1,537,242)
Change in Net Assets	3,381,526	719,203	223,652	4,324,381	44,315,217
Net Assets as of January 1	16,925,294	11,034,714	12,214,336	40,174,344	83,671,032
Prior Period Adjustments	-	-	-	-	781,663
Net Assets as of January 1 - Restated	16,925,294	11,034,714	12,214,336	40,174,344	84,452,695
Net Assets as of December 31	\$ 20,306,820	\$ 11,753,917	\$ 12,437,988	\$ 44,498,725	\$ 128,767,912

See accompanying notes to the financial statements

**Reconciliation Of The Statement Of Revenues, Expenses And  
Changes in Fund Net Assets Of Proprietary Funds  
To The Statement Of Activities  
For The Year Ended December 31, 2010**

	<u>Business-Type Funds</u>
<b>Change in enterprise net assets as shown in the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>	\$ 4,324,381
Internal services, provided primarily by internal service funds, also occurs between other County funds. The net effect of the elimination of these services is reflected in the statement of activities:	
Other interfund transactions	1,446,771
Allocated direct and indirect costs from the County's cost plan	<u>(964,026)</u>
<b>Change in net assets for business-type funds as shown in the Statement of Activities</b>	<u>\$ 4,807,126</u>

See accompanying notes to the financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2010**  
**Page 1 of 2**

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 17,789,837	\$ 1,271,836	\$ 7,469,552	\$ 26,531,225	\$ 22,450,281
Cash Paid for Goods & Services	(12,030,127)	(316,847)	(2,538,375)	(14,885,349)	(10,202,980)
Cash Paid to Employees	(2,188,435)	(303,071)	(3,979,252)	(6,470,758)	(7,267,739)
Net Cash Provided (Used) by Operating Activities	3,571,275	651,918	951,925	5,175,118	4,979,562
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers In	2,358,179	1,569,350	802,557	4,730,086	1,334,401
Transfers Out	(2,408,308)	(693,835)	(677,603)	(3,779,746)	(1,537,242)
Grant Proceeds	480,223	-	549,475	1,029,698	-
Tax and Assessment Receipts	-	-	482,711	482,711	-
Receipts on Septic Loans From Community	-	-	44,806	44,806	-
Payments On Financed Septic Loans	-	-	(40,195)	(40,195)	-
Loan Proceeds From Financed Septic Loans	-	-	57,475	57,475	-
Insurance Recoveries	-	-	-	-	24,566
Tax Payments	(504,459)	(50,827)	(72,272)	(627,558)	(9,042)
Interest Payments	-	-	(37,618)	(37,618)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(74,365)	824,688	1,109,336	1,859,659	(187,317)
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>					
Capital Asset Sales	-	-	-	-	97,584
Capital Asset Purchases	(2,665,082)	(595,909)	(806,514)	(4,067,505)	(2,153,635)
Bond/Loan Payments	-	(749,657)	(458,350)	(1,208,007)	(70,929)
Grant Proceeds	6,584	-	-	6,584	-
Contributed Capital	-	38,530	-	38,530	-
Assessment Receipts	-	487,186	121,100	608,286	-
Interest Payments	-	(471,073)	(1,313)	(472,386)	(15,230)
Net Cash Provided (Used) by Capital & Related Financing Activities	(2,658,498)	(1,290,923)	(1,145,077)	(5,094,498)	(2,142,210)
<b>Cash Flows from Investing Activities:</b>					
Interest Receipts	603,997	14,089	112,871	730,957	423,206
Net Cash Provided (Used) by Investing Activities	603,997	14,089	112,871	730,957	423,206
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	1,442,409	199,772	1,029,055	2,671,236	3,073,241
Cash & Cash Equivalents as of January 1	23,899,179	1,837,030	2,968,668	28,704,877	25,477,334
<b>Cash &amp; Cash Equivalents as of December 31</b>	<b>\$ 25,341,588</b>	<b>\$ 2,036,802</b>	<b>\$ 3,997,723</b>	<b>\$ 31,376,113</b>	<b>\$ 28,550,575</b>

See accompanying notes to the financial statements

**Statement Of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended December 31, 2010**  
**Page 2 of 2**

	Enterprise Funds				
	Solid	Grand	Other	Total	Internal
	Waste	Mound	Enterprise	Enterprise	Service
			Funds	Funds	Funds
Reconciliation of Operating Income To Net Cash					
Provided (Used) by Operating Income:					
Operating Income	\$ 3,072,177	\$ 152,368	\$ (477,752)	\$ 2,746,793	\$ 524,761
Adjustments to Reconcile Operating Income to					
Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	850,415	444,414	783,213	2,078,042	4,536,563
(Increase) Decrease in:					
Customer Account Receivables	(527,696)	(11,229)	(33,079)	(572,004)	(58,509)
Due from Other Funds	(1,619,090)	(134,682)	(19,454)	(1,773,226)	248,458
Due from Other Government Units	-	-	-	-	(15,401)
Inventories	-	-	-	-	(19,099)
Prepaid Expense	-	-	-	-	27,625
Deferred Charges	-	-	-	-	-
Increase (Decrease) in:					
Accounts Payable	207,647	(35,141)	179,998	352,504	(62,259)
Due to Other Funds	1,546,292	149,149	200,813	1,896,254	(52,260)
Due to Other Government Units	-	5,344	445	5,789	15,383
Claims and Judgments	-	-	-	-	(389,011)
Compensated Absences Payable	515,541	81,695	317,741	914,977	223,311
Accumulated Landfill Closure	(474,011)	-	-	(474,011)	-
Total Adjustments	499,098	499,550	1,429,677	2,428,325	4,454,801
Net Cash Provided (Used) by Operating Activities	\$ 3,571,275	\$ 651,918	\$ 951,925	\$ 5,175,118	\$ 4,979,562

**Noncash Investing, Capital, and  
Financing Activities:**

Gain on Purchase/Sale Of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 93,217
Loss on Purchase/Sale of Capital Assets	\$ -	\$ -	\$ (373,022)	\$ (373,022)	\$ (117,981)
Prior Period Adjustment - Reclassification of G O Debt From Governmental to Proprietary	\$ -	\$ -	\$ -	\$ -	\$ 781,663
Contribution of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 43,639,720

See accompanying notes to the financial statements

**Statement Of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2010**

<b>ASSETS</b>	<b>Investment Trust Fund</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>Assets:</b>			
Cash & Pooled Investments	\$ 240,542,814	\$ 2,316,855	\$ 14,236,453
Cash and Investments in Trust	-	-	129,097
Deposits with Fiscal Agent	-	-	60,000
<b>Receivables:</b>			
Accrued Interest Receivables	8,386	-	-
Customer Account Receivables	5,723	-	-
<b>Investments at Fair Value:</b>			
US Agency & Instrumentality Securities	(3,338,981)	-	-
<b>Total Assets</b>	<b>237,217,942</b>	<b>2,316,855</b>	<b>14,425,550</b>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Warrant Payable	-	-	11,379,000
Accounts Payable	-	-	321,752
Payroll Payable	-	-	2,535,701
Due to Other Governments	-	-	189,097
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>14,425,550</b>
<b>NET ASSETS</b>			
Investments Held in Trust for Pool Participants	237,217,942	-	-
Investments Held in Trust for Other Purposes	-	2,316,855	-
<b>Total Net Assets</b>	<b>\$ 237,217,942</b>	<b>\$ 2,316,855</b>	<b>\$ -</b>

See accompanying notes to the financial statements

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
***For The Year Ended December 31, 2010***

	<u>Investment Trust Fund</u>	<u>Private Purpose Trust Fund</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Additions by Participants	\$ 928,546,839	\$ 27,603,328
Trust Revenues	195,276	-
Total Contributions	<u>928,742,115</u>	<u>27,603,328</u>
<b>Investment Income:</b>		
Net Increase In Fair Value of Investments	(2,572,920)	-
Interest, Dividends and Other	5,120,809	3,544
Total Investment Income	<u>2,547,889</u>	<u>3,544</u>
Total Additions	<u>931,290,004</u>	<u>27,606,872</u>
 <b>Deductions:</b>		
Distributions to Participants	947,071,225	27,578,344
Trust Administrative Costs	195,276	-
Total Deductions	<u>947,266,501</u>	<u>27,578,344</u>
Change in Net Assets Held for Individuals, Organizations and Other Governments	(15,976,497)	28,528
Net Assets as of January 1 - Restated	<u>253,194,439</u>	<u>2,288,327</u>
Net Assets as of December 31	<u><u>\$ 237,217,942</u></u>	<u><u>\$ 2,316,855</u></u>

See accompanying notes to the financial statements



## NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2010

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Thurston County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below:

#### A. Reporting Entity

The County was incorporated in 1852 and operates under the laws of the state of Washington applicable to counties. As required by the generally accepted accounting principles the financial statements present Thurston County as the primary government. The financial statements do not include any component units for which the County is financially accountable. Thurston County is a statute county, which means the organization of the County is prescribed by state statute. The County has a commissioner form of government with a governing body consisting of three County Commissioners.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this measurement focus, revenues are recorded when earned

and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For example, property taxes are recognized if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, fines and forfeitures and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

- Ø *General Fund* - is the County's primary operating fund. It is used to account for all activities of the general government not accounted for in another fund.
- Ø *Road Fund* - accounts for the design, construction, and maintenance of County roads.
- Ø *Detention Facility Sales Tax Holding Fund* - is a holding fund for local option sales taxes levied to construct adult and juvenile detention facilities.
- Ø *Debt Holding* – A holding fund for general obligation debt proceeds pending transfer to construction funds to fund construction of public safety and other approved capital projects.
- Ø *Medic One* - accounts for countywide delivery of advanced life support response and transport services.
- Ø *Public Health and Social Services* - accounts for the following services: mental health, developmental disabilities, substance abuse prevention & treatment, children and family, environmental protection, and personal health.
- Ø *Real Estate Excise Tax* - accounts for proceeds dedicated to capital projects from the one-half percent tax on real property sales in unincorporated Thurston County.

The County reports the following major proprietary funds:

- Ø *Solid Waste* - accounts for county-wide solid waste activities including waste prevention, recycling and disposal activities at the County's waste and recovery center.
- Ø *Grand Mound Water and Wastewater* - accounts for maintenance and operations of the Grand Mound water & wastewater systems.

Additionally, the county reports the following fund types:

- Ø *Internal Service Funds* account for technology acquisition/improvement, building maintenance, equipment acquisition/maintenance, risk management and payroll/benefit administration provided to other departments or agencies of the County on a cost reimbursement basis.
- Ø *Investment Trust Funds* account for external pooled and non-pooled investments held by the County Treasurer on behalf of external participants in the County's investment program.
- Ø *Private Purpose Trust Funds* report amounts deposited with the County Clerk through Superior Court trust arrangements and agreements.
- Ø *Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds account for deposits and other assets that are temporarily held in suspense prior to transfer and distribution to other governmental units, private parties or the County.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule include exchange or exchange-like transactions for internal services that are normally provided internally or to the public. This excludes internal services of internal service funds since the doubling effect of the cost of these services has already been removed from the financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes, interest earnings, sale of capital assets (if material), and transfers.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste, Grand Mound, and Other Enterprise Funds and the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted and unrestricted resources proportionally based on their overall contribution to total fund resources and to the remaining year end fund balance.

D. Assets, Liabilities, and Equities

1. Cash Deposits and Investments (See Note IV – Deposits and Investments)

The County's cash and cash equivalents are considered to be cash on hand and demand deposits. The County pools internal and external cash and investments into one pool for investment purposes with the County Treasurer, except as otherwise requested, in order to facilitate the management of cash. For the purposes of the statement of cash flows, the County considers all amounts invested in its cash pool to be cash and cash equivalents. All other investments, if applicable, are reported as investments at cost.

It is the County's policy to invest all temporary cash surpluses. At December 31, 2010, all cash and cash equivalents were cash on hand and demand deposits with average maturities as noted in Note IV. This amount is classified on the balance sheet as cash and pooled investments in various funds. The interest on these investments is allocated to the various funds on an average daily balance basis. The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the year was approximately \$6,992,000.

2. Receivables (See Note VII – Receivable Balances)

Taxes receivable consist of delinquent property taxes and related interest and penalties (See Property Taxes Note V). The County considers property taxes to be available if they are collected within 60 days after year end. However, the County does not accrue these amounts as revenue unless they are material to the amount collected or to the outstanding balance.

Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. The County considers interest on investments to be available if they will be collected within 60 days after year-end.

Special Assessment receivables consist of current and delinquent assessments and related penalties and interest against the property benefited. Long-term special assessments are outstanding unbilled special assessments and are recorded when levied. Special assessments and utility billings are collectible through liens on property. Therefore, no estimates of uncollectible amounts are established. In the governmental funds, special assessment receivables are offset by deferred revenues for county road improvement and lake management districts, public health assessments, and the countywide noxious weed program. In enterprise funds, they represent receivables for repayment of general obligation and special assessment debt issued to construct water and wastewater facilities and to fund storm water operations. See Note VIII for more information about the County's debt.

Customer account receivables are amounts owed by private individuals or organizations for County services. They primarily include receivables for court fines and forfeitures, incarceration fees and fees for public health services. Customer account receivables are considered to be available if they are expected to be collected within twelve months after year-end. Receivables include amounts owed for which billings have not been prepared and are recorded net of estimated uncollectible amounts.

### 3. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. A separate schedule of interfund loans receivable and payable is furnished in Note IX - Interfund Receivables and Payables. All other outstanding balances between funds are reported as "due to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Interfund balances between governmental funds and interfund balances between proprietary funds have been eliminated and are not included in the government-wide statement of net assets.

Due to and from other funds and other governments is reported as a cash flow change impacting operating activities in the statement of cash flows. However, cash flows from governmental receivables are treated differently for enterprise and internal service funds in the statement of cash flows. Due from other governments for enterprise funds is generally reported as a cash flow change impacting grant cash proceeds from non-capital financing activities. Due from other governments for internal service funds is generally reported as a cash flow change that impacts operating activities.

### 4. Inventories and Prepaid Items

Inventories are assets held for internal consumption or for resale. Any material inventory remaining at year-end is included in the balance sheet of the appropriate fund.

The purchase method, where the cost is expended when the item is purchased, is used in governmental funds, except for Roads and the Equipment Rental internal service fund, where the perpetual inventory method is used. The perpetual inventory method capitalizes the cost when inventory is purchased and then expends the cost when the item is consumed. Inventories recorded in the Roads Fund are stated at cost on a moving weighted average basis. Enterprise funds had no reportable material inventories at year end.

Prepayments are payments in advance of the receipt of goods and services in an exchange transaction and are recorded as an expenditure or expense only when consumed. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements. These items primarily include prepaid rents for computer software.

### 5. Capital Assets and Depreciation (See Note VI – Capital Assets and Commitments)

Capital assets, which include land, buildings, improvements to land and buildings, vehicles, machinery, equipment, easements, construction in progress and infrastructure assets and all other tangible and intangible assets used in operations, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Infrastructure assets are usually stationary and normally can be preserved a significantly greater number of years than most other capital assets. Examples of infrastructure include roads, bridges, drainage systems, sidewalks, trails and paths, and water and sewer systems. Capital

## Thurston County, Washington 2010

assets are defined by the County as assets with an initial, individual cost of \$5,000 or more, including ancillary costs, with an estimated useful life in excess of one year.

Capital assets are valued at cost where historical records are available and at estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

In June 1999 Government Accounting Standards Board (GASB) issued Statement #34, which required the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with this Statement, the County has recorded the value of all infrastructure assets acquired after June 30, 1980 in its statement of net assets. In certain instances, engineering estimates, as well as annual reports of the County Road Administration Board and Washington State Department of Transportation were used to value the estimated historical costs of assets. In other instances, historical costs were derived by estimated historical costs on a discounted and depreciated current replacement value basis. Infrastructure acquired prior to July 1, 1980, except for roads right of way and easements, is not reported.

Improvements to capital assets that replace depreciated assets, or materially add to the value or extend the life of the asset, are capitalized. Other repairs or normal maintenance are expensed. Outlays for capital assets and improvements are capitalized as projects are constructed. The net book values of replaced and depreciated components are removed from the system when replaced or when fully depreciated. The cost of normal maintenance and repairs that does not significantly impact asset value or materially extend the assets' life is expensed in the year incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Life</b>
Machinery & Equipment	3 – 20 years
Improvements	10 – 40 years
Buildings	10 – 40 years
Infrastructure	20 – 40 years

Machinery and equipment purchased on capital leases are treated as capital assets, indicating a constructive or actual transfer of the benefits and risks of ownership to the County, and are valued at the lesser of the fair value of the leased property or the present value of the minimum lease payments required by contract.

### 6. Compensated Absences (See Note VIII – Long Term and Other Significant Debt)

Compensated absences are absences for which employees will be paid, such as vacation leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-Term Debt (See Note VIII – Long Term and Other Significant Debt)

Revenue bonds and other long term liabilities (including general obligation bonds) that are directly related to and financed from enterprise funds are accounted for in the respective enterprise fund. All other County long-term debt is reported in the governmental column in the entity-wide statement of net assets. Bond premiums and discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line interest method since it is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs in the current period. The face amount of debt is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, is reported as debt service expenditures. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Amounts reserved for long-term debt are shown as a reservation of fund balance in the fund financial statements and a restriction of fund balance in the statement of net assets.

8. Deferred Charges, Deferred Revenues, and Unearned Revenue

Deferred charges in the government wide financial statements defer expenditures for debt issuance which are amortized over the life of the respective bond issues.

Deferred revenues in the fund financial statements include amounts collected before revenue recognition criteria are met and receivables for delinquent taxes that are not yet available under the modified accrual basis of accounting. Unearned revenues in the government-wide financial statements represent resources received but not yet earned.

9. Rebateable Arbitrage

Thurston County has not incurred any rebateable arbitrage as of December 31, 2010. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

10. Fund Equity

Fund equity is recognized as fund balance in governmental funds, and as net assets in proprietary funds and entity wide statements. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unless otherwise noted, fund balances (deficits) are unreserved and undesignated.

A portion of the County's net assets are subject to external legal restrictions on how they may be used and therefore are not available for general spending at the discretion of the County. These are considered restricted net assets. Fees and charges for services (except for the General Fund), as reported in the entity wide statements, are usually considered to be restricted since they have been charged or levied for a specific purpose or use. Operating/capital grants are also considered to be restricted if the use of the proceeds is restricted by the grantor. Solid waste cash and investments are restricted to fund a 30 year landfill post-closure care period (see Note XIII – Closure and Post Closure Care Costs). Solid waste net assets restricted for this

purpose comprise the remainder of the net asset balance. An amount equal to these restricted assets, less any related liabilities, is reported as restricted assets on the government wide statement of net assets.

Investment in capital assets, net of related debt includes all capitalized assets less outstanding obligations for current and long term bonds and notes payable related to capital investments. These amounts are adjusted for unexpended bond proceeds, other borrowings, negative equities and non-capital financings as noted below.

### Reconciliation of Investment In Capital Assets, Net of Related Debt

	Governmental Activities	Business-Type Activities
Capital Assets, Net of Depreciation	\$ 443,798,950	\$ 39,306,961
Less: Long and Short Term Notes & Bonds Payable	(98,803,537)	(10,175,414)
Plus: Debt Holding Fund Balance (Unspent Debt Proceeds)	24,479,217	-
Non-Capital Debt (Septic Loan Financing)	-	584,636
<b>Investment In Capital Assets, Net of Related Debt</b>	<b>\$ 369,474,630</b>	<b>\$ 29,716,183</b>

### NOTE II – RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

#### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Fund balance in the governmental funds balance sheet is reconciled to net assets in the statement of net assets. One element of that reconciliation, as detailed below, was for \$339,948,155 because the cost of capital assets, which is expended in governmental funds, is deferred to future periods in the statement of net assets:

Governmental Net Book Value - End of Prior Year	\$ 374,249,201
Reclassification of Governmental Assets as Internal Service Assets	(43,584,216)
Gains (Losses) on Dispositions of Capital Assets	(1,088,408)
Governmental Capital Outlays	19,271,963
Governmental Depreciation Expense	(8,900,385)
Governmental Net Book Value - End of Current Year	<u>\$ 339,948,155</u>



# Thurston County, Washington 2010

Another element of the reconciliation, as detailed below, was for \$98,509,916 because long-term debt, which is not reported in governmental funds, is reported in the statement of net assets:

Governmental Debt - End of Prior Year	\$ 80,689,312
Bond Proceeds	27,840,000
Debt Principal Payments	(10,111,295)
Lease Financing Proceeds And Adjustments	187,588
Amortization of Premium and Refunding Deferral	(95,689)
	<hr/>
Computed Governmental Debt - End of Current Year	<u><u>\$ 98,509,916</u></u>

A third element of the reconciliation, as detailed below, was for \$128,767,912 because assets and liabilities of internal service funds, which are separately reported in proprietary fund statements, are included and combined with governmental balances in the statement of net assets:

Net Assets - End of Prior Year	\$ 83,671,032
Reclassification of Governmental Assets as Internal Service Assets	43,584,216
Net Transfers In/Out	578,822
Net Profit	933,842
	<hr/>
Net Assets - End of Current Year	<u><u>\$ 128,767,912</u></u>
Cash	\$ 28,550,575
Capital Assets	105,720,350
Other Assets	794,049
Claims and Judgments Payable	(4,025,796)
Other Liabilities	(2,271,266)
	<hr/>
Net Assets - End of Current Year	<u><u>\$ 128,767,912</u></u>

## B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. These line item reconciliations are available and reported in detail within this statement.

## **NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **BUDGETARY INFORMATION**

#### **1. Scope of Budget**

Annual appropriated budgets are adopted for all County funds in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by Budgeting, Accounting, and Reporting System (BARS) of the State of Washington and on a basis consistent with generally accepted accounting principles. Appropriations are authorized at the fund level for all funds, except the General Fund, where expenditures may not exceed appropriations at the department level. The budgets constitute the legal authority for expenditures at these levels. All appropriations lapse at year-end.

During the budget process, each County official submits detailed estimates of anticipated revenue and expenditure requests for the subsequent budget year. The data is compiled and made available for public comment beginning the first Monday in October. A recommended budget is submitted to the Board of County Commissioners in the third week of November. Public hearings are held the first week of December and the final budget is adopted, by resolution, shortly thereafter.

#### **2. Amending the Budget**

The Board of County Commissioners must approve revisions that alter total expenditures of any County fund or General Fund department. These changes must be approved by resolution by a majority of Commissioners at a public hearing. General Fund departments or other County funds may transfer budget amounts between expenditure items without Board approval if these adjustments do not exceed the total department or fund budget.

The financial statements report authorized original and final budgets. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

#### **3. Excess of Expenditures Over Appropriations**

\$20,590 in capital outlay costs for Superior Court in the General Fund were for lease purchases and were approved through a separate authorizing resolution. \$7,419,903 in outlays for principal and interest in Debt Holding were authorized by bond resolution. \$1,392 transferred out of 1998 G. O. Bonds debt service were authorized by the resolution terminating this fund.

The Investment Administration, Tax Refund and Treasurer's M & O Funds were excluded from the special revenue combining schedules of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual because these funds are not statutorily required to have budget authority and County budget policies do not require budgets for these funds.

4. Deficit Fund Equity

The Jail capital projects fund had a \$369,539 deficit fund balance at December 31, 2010. The deficit is fully funded by unspent proceeds from the Debt Holding Fund. The Land Use & Permitting enterprise fund had a \$200,735 deficit in net assets at December 31, 2010. Additional fee increases enacted in the prior year will eliminate the carry forward effects of this deficit from 2010.

**NOTE IV – DEPOSITS AND INVESTMENTS**

The Thurston County Treasurer, acting in their legal capacity as Treasurer for the County and other taxing districts, receipts, disburses and invests all cash.

A. Deposits

All receipts received by the Treasurer are deposited into qualified bank depositaries as specified by the Washington Public Deposit Protection Commission (PDPC). All deposits, including money markets and certificates of deposits are entirely covered by federal depositary insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington PDPC. The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. PDPC coverage is of the nature of insurance pursuant to the Governmental Accounting Standards Board Statement No. 3. All deposits held at December 31, 2010 and throughout the year were insured or collateralized with securities held by the County Treasurer or by their agent in the County Treasurer's name. Total undistributed cash deposits at December 31, 2010 were \$6,184,572.

B. Investments

Investments are governed by State statute and County investment policy. All investment instruments are those allowed by statute, which include U.S. Treasury Notes, Federal Agencies, bankers' acceptances, short-term commercial paper, money market account and the State Treasurer's Local Government Investment Pool (LGIP). There is no statutory regulatory oversight of the LGIP other than annual audits through the Washington State Auditor's Office. The fair value of County shares in the LGIP is dollar for dollar equal to the value of pool shares.

The investment policy dictates that all investment instruments be transacted on the delivery vs. payment basis. Union Bank of California acts as safekeeping agent for the Thurston County Treasurer. During 2010 the County did not buy or own any securities earning interest at a rate which varied depending on an underlying rate or index.

As of December 31, 2010, the County's investment values and maturities for pool and individual fund investments are as follows:

Thurston County, Washington 2010

Investment Type	Book Value	Weighted Average Maturity (Years)
<b>Pool Investments:</b>		
State Treasurer's LGIP	\$ 160,400,000	0.0
Money Market Account	20,000,000	0.0
U.S. agencies	252,415,000	4.2
Pool Investments	432,815,000	2.4
Total Investments	\$ 432,815,000	

The interest rate, credit and concentration risks are described as follows:

Interest Rate Risk – The adopted investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit this risk, state law does not allow general governments to invest in corporate equities. County policy further limits risk to investments in securities that have one of the three highest ratings of a national rating agency at the time of investment.

The ratings of debt securities as of December 31, 2010 are:

Debt Security	S&P Rating
Fannie Mae (Federal National Mortgage Association)	AAA
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA
Washington State Investment Pool	Not Rated

Concentration Risk – Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The adopted investment policy requires that no more than 25% of the investments will be in a single security type, with the exception of U.S. treasury and agency securities and the State Local Government Investment Pool. The investments held are in compliance with this requirement.

A reconciliation of pool investments, investments, cash, cash deposits and pool accruals to the fund and entity wide statements is as follows:

**Schedules of Deposits and Investments**  
**Composition of Cash & Investments**  
**December 31, 2010**

	<b>Total</b>	<b>Pooled Cash Investments</b>	<b>Non-Pooled Cash &amp; Investments</b>
State Treasurer's Local Govt. Investment Pool (LGIP)	\$ 160,400,000	\$ 160,400,000	\$ -
Money Market Account	20,000,000	20,000,000	-
U.S. Agency & Instrumentality Securities	252,415,000	252,415,000	-
<b>Total Investment Pool Investments</b>	<b>432,815,000</b>	<b>432,815,000</b>	<b>-</b>
Deposits With Financial Institutions	6,184,572	6,184,572	-
Net Increase (Decrease) in Fair Value of Investments	(3,338,981)	(3,338,981)	-
Pool Accruals	(34,120)	(34,120)	-
<b>Total Investment Pool Cash &amp; Investments</b>	<b>435,626,471</b>	<b>435,626,471</b>	<b>-</b>
Fiscal and Petty Cash	106,745	-	106,745
Clerk's Trust Funds	2,316,855	-	2,316,855
<b>Total Reported Cash &amp; Investments</b>	<b>\$ 438,050,071</b>	<b>\$ 435,626,471</b>	<b>\$ 2,423,600</b>

**Reconciliation of Cash & Investments to Statements**  
**December 31, 2010**

	<b>Total</b>	<b>Statements of</b>	
		<b>Fiduciary Net Assets</b>	<b>Net Assets</b>
Cash & Pooled Investments - County Funds	\$ 184,042,979	\$ -	\$ 184,042,979
Cash & Pooled Investments - Investment Trust Fund	240,542,814	240,542,814	-
Cash & Pooled Investments - Agency Funds	14,365,550	14,365,550	-
Investments at Cost	-	-	-
Net Increase (Decrease) in Investment Fair Value	(3,338,981)	(3,338,981)	-
Pool Accruals	14,109	14,109	-
<b>Total Investment Pool Cash &amp; Investments</b>	<b>435,626,471</b>	<b>251,583,492</b>	<b>184,042,979</b>
Fiscal and Petty Cash	106,745	60,000	46,745
Private Purpose Trust Funds	2,316,855	2,316,855	-
<b>Total Reported Cash &amp; Investments</b>	<b>\$ 438,050,071</b>	<b>\$ 253,960,347</b>	<b>\$ 184,089,724</b>

A summary of restricted and unrestricted cash and investments is as follows:

**Restricted and Unrestricted Cash & Investments**  
**December 31, 2010**

	<b>Total</b>	<b>Restricted</b>	<b>Unrestricted</b>
Cash & Pooled Investments	\$ 438,050,071	\$ 272,727,928	\$ 165,322,143
Investments	-	-	-
<b>Total</b>	<b>\$ 438,050,071</b>	<b>\$ 272,727,928</b>	<b>\$ 165,322,143</b>

**C. Thurston County Investment Pool (TCIP)**

The Thurston County Investment Pool (TCIP) operates on an amortized cost-book value basis. The County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners, as the statutory County Finance Committee, perform oversight of the pool's performance. There are no legally binding guarantees for the TCIP. Authorized investments for the TCIP are the same as investments held outside of the pool. These are defined in statute and discussed in Note IV (B). The TCIP also has holdings in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in a manner consistent with SEC Rule 2a7. As a 2a7-like pool, investments in the LGIP are reported at amortized cost.

All funds deposited in the TCIP are available to the participant at full face value without regard to current market values of the investment pool. Earnings distributions, including any realized transactions in the pool, are distributed monthly, calculated on the average daily balance of the participant's cash balances. The Thurston County Treasurer, by law, is the Treasurer of most local governments and districts within the County, including schools, fire and library districts. These districts do not have a legal option to have their cash handled by other than the County Treasurer.

The TCIP experienced a net decrease in the fair value of the investments during 2010, as market interest rates decreased. At 12/31/2010, the market value of investments was \$3,338,981 lower than the amortized cost. These unrealized losses will not be recognized in the various funds as management intends to hold these investments to maturity. During 2010, TCIP sold four investments with a total realized gain of \$421,701.

Fair value of the TCIP is reviewed by the County Treasurer, on an ad hoc basis, and monthly by the County Finance Committee. Fair value is determined using information from our safekeeping agent, Union Bank of California and with "Bloomberg", an on-line financial services system.

Participation in the TCIP is voluntary. Districts do have the option to participate in the TCIP or they can have the Treasurer manage their cash and investments outside of the TCIP by requesting specific investment amounts and maturity dates.

A condensed statement of net assets and statement of changes in net assets for the external portion of the investment trust pool and the Clerk's private purpose trust fund at December 31, 2010 is reported in the following schedule:

**Condensed Statement of Net Assets**  
**December 31, 2010**

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 251,583,492	\$ 2,316,855
<b>Total Assets</b>	<b>251,583,492</b>	<b>2,316,855</b>
Pool Liabilities	(14,365,550)	-
<b>Total Liabilities</b>	<b>(14,365,550)</b>	<b>-</b>
<b>Net Assets Held in Trust for Pool Participants</b>	<b>\$ 237,217,942</b>	<b>\$ 2,316,855</b>

**Condensed Statement of Changes in Net Assets**  
**December 31, 2010**

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Assets Resulting from Operations	\$ 5,120,809	\$ 3,544
Earnings Distributions to Participants	(5,120,809)	(3,544)
Changes in Net Assets Resulting from Depositor Transactions	(15,976,497)	28,528
Net Assets Available	(15,976,497)	28,528
Net Assets Beginning of Year	253,194,439	2,288,327
<b>Net Assets End of Year</b>	<b>\$ 237,217,942</b>	<b>\$ 2,316,855</b>

## NOTE V – PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against the properties.
April 30	First of two equal installment payments is due.
October 31	Second installment is due.

Property taxes are recorded as receivables when levied, but revenue is not recognized until collected. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. An enforceable lien attaches at the point of levy. Interest accrues on delinquent taxes at a rate of 12% per annum. Penalties of 3% are assessed in June and 8% in December, in the first year of delinquency.

The County is permitted by law to levy up to a combined amount of \$4.05 per \$1,000 of assessed valuation. A maximum of \$1.80 per \$1,000 of assessed valuation may be levied on all property in the County for general government services. A maximum of \$2.25 per \$1,000 of assessed valuation may be levied on property in unincorporated Thurston County for the County Road Fund for road construction and maintenance. However a county is authorized to increase its levy from \$1.80 to a rate not to exceed \$2.475 per \$1,000 of assessed value for general county purposes if the total levies for both the County and the County Road District do not exceed \$4.05 per \$1,000 of assessed value, and no other taxing district has its levy reduced as a result of the increased County levy. These levies may be reduced subject to three limitations:

1. Initiative 747 limits annual regular property tax increases to 1% or the Implicit Price Deflator, whichever is less. An increase above 1% is allowed only with voter approval. The 1% limit excludes increases due to the addition of new construction and state assessed utility increases.
2. The Washington State Constitution limits total regular property taxes to 1 percent of true and fair market valuation. This would equate to a regular levy rate of \$10 per \$1,000 of value if the property were assessed at its true and fair value. If taxes of regular districts (excluding the Port & PUD) exceed this amount, the junior taxing districts taxes are reduced first and then the other entities are proportionately reduced until the total is at the 1 percent limit.
3. Most taxing districts are authorized by state law to levy a certain rate each year without approval by the voters; these are commonly referred to as regular levies. The aggregate levies of junior taxing districts and senior taxing districts, other than the state, shall not exceed five dollars and ninety cents per thousand dollars of assessed valuations (RCW 84.52.043). At the county level this limitation does not apply to the Conservation Futures or Medic One levies.

The County may voluntarily levy taxes below the legal limit. Special levies approved by the voters are not subject to the above limitations.



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The following identifies the tax rates levied in 2009 for collection in 2010:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.1020	\$ 29,248,858,362	\$ 32,232,077
Medic One	\$ 0.3051	\$ 29,248,858,362	\$ 8,923,134
Roads	\$ 1.2871	\$ 14,873,203,919	\$ 19,143,385

## NOTE VI – CAPITAL ASSETS AND COMMITMENTS

### A. Capital Assets

Capital assets activity for the year ended December 31, 2010 was as follows:

	Beginning Balance 01/01/2010	Increases	Decreases	Ending Balance 12/31/2010
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#### GOVERNMENTAL TYPE ACTIVITIES

Capital Assets - Non-Depreciable:				
Land	\$ 254,399,539	\$ 15,234,173	\$ (15,022,177)	\$ 254,611,535
Construction in Progress	48,151,262	11,450,919	(43,840,307)	15,761,874
Capital Assets - Non-Depreciable	302,550,801	26,685,092	(58,862,484)	270,373,409
Capital Assets - Depreciable:				
Buildings	73,373,154	44,100,654	(1,218,283)	116,255,525
Improvements Other Than Buildings	6,522,407	111,702	(105,743)	6,528,366
Machinery & Equipment	45,708,503	3,226,928	(2,287,340)	46,648,091
Infrastructure	121,426,000	14,464,077	(9,189,894)	126,700,183
Original Cost	247,030,064	61,903,361	(12,801,260)	296,132,165
Less Accumulated Depreciation:				
Buildings	(21,616,447)	(2,085,387)	429,912	(23,271,922)
Improvements Other Than Buildings	(2,448,218)	(392,559)	13,390	(2,827,387)
Machinery & Equipment	(28,981,586)	(4,296,046)	1,845,673	(31,431,959)
Infrastructure	(61,037,563)	(6,454,635)	2,316,842	(65,175,356)
Accumulated Depreciation	(114,083,814)	(13,228,627)	4,605,817	(122,706,624)
Capital Assets - Depr, Net	132,946,250	48,674,734	(8,195,443)	173,425,541
Total Original Cost	549,580,865	88,588,453	(71,663,744)	566,505,574
Total Accumulated Depreciation	(114,083,814)	(13,228,627)	4,605,817	(122,706,624)
Governmental Capital Assets, Net	\$ 435,497,051	\$ 75,359,826	\$ (67,057,927)	\$ 443,798,950

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Depreciation Expense was charged to functions as follows:	
General Government	\$ 622,440
Public Safety	1,098,873
Utilities and Environment	3,507
Transportation	6,548,549
Economic Environment	6,931
Health and Human Services	27,330
Culture and Recreation	384,434
Subtotal	8,692,064
In addition, depreciation on capital assets held by the County's internal service funds is charged to the various functions based upon their usage of the assets.	4,536,563
Total Governmental Activities Depreciation Expense	\$ 13,228,627

Business Type Activities for the year ended December 31, 2010 was as follows:

	Beginning Balance 01/01/2010	Increases	Decreases	Ending Balance 12/31/2010
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**BUSINESS TYPE ACTIVITIES**

Capital Assets, not being depreciated:				
Land	\$ 1,796,011	\$ 11,202	\$ -	\$ 1,807,213
Construction In Progress	5,443,241	3,640,353	(766,484)	8,317,110
Total Capital Assets, not being depreciated	7,239,252	3,651,555	(766,484)	10,124,323
Capital Assets, being depreciated:				
Buildings	22,626,758	-	-	22,626,758
Improvements other than buildings	35,763,251	1,215,494	(489,642)	36,489,103
Machinery & Equipment	5,575,016	180,282	(38,794)	5,716,504
Total Capital Assets, being depreciated	63,965,025	1,395,776	(528,436)	64,832,365
Less Accumulated Depreciation For:				
Buildings	(6,199,793)	(662,906)	-	(6,862,699)
Improvements other than buildings	(24,241,506)	(1,109,688)	7,701	(25,343,493)
Machinery & Equipment	(3,067,538)	(411,227)	35,230	(3,443,535)
Total Accumulated Depreciation	(33,508,837)	(2,183,821)	42,931	(35,649,727)
Total Capital Assets being depreciated, net	30,456,188	(788,045)	(485,505)	29,182,638
Business Type Activities Capital Assets, net	\$ 37,695,440	\$ 2,863,510	\$ (1,251,989)	\$ 39,306,961

Depreciation expense was charged to functions as follows:	
Solid Waste	\$ 850,415
Water	202,940
Sewer	596,365
Stormwater	387,336
Land Use & Permitting	40,986
Total	\$ 2,078,042

# Thurston County, Washington 2010

## B. Construction Commitments

Thurston County has the following active construction commitments, including the Accountability and Restitution Center and Tilley Master Plan project, as of December 31, 2010:

	Spent-to-Date	Remaining Commitment
<b>Project</b>		
Accountability and Restitution Center	\$ 40,733,755	\$ 2,459,606
Tilley Master Plan	2,357,484	4,416,229
<b>Total</b>	<b>\$ 43,091,239</b>	<b>\$ 6,875,835</b>

These projects are financed with general obligation bonds which are then repaid with sales and real estate excise taxes.

## NOTE VII – RECEIVABLE BALANCES

Receivables as of December 31, 2010 for the County's individual major funds, non-major funds and internal service funds are shown in the following table:

	Taxes	Special Assess-ment	Interest and Penalties	Customer Accounts	Due from other Governments	Community Loans	Total
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### Governmental Activities:

General Fund	\$ 1,716,941	\$ -	\$ 3,715,608	\$ 2,737,940	\$ 984,841	\$ -	\$ 9,155,330
Debt Holding	-	-	26,651	-	-	-	26,651
Detention Facility Sales Tax Holding	-	-	23,891	-	-	-	23,891
Real Estate Excise Tax	-	-	26,396	-	-	-	26,396
Roads	882,664	-	3,328	-	2,127,317	-	3,013,309
Medic One	448,927	-	33,676	-	-	-	482,603
Public Health and Social Services	36,354	13,941	18,213	2,618	1,614,566	-	1,685,692
Other Governmental	72,728	60,206	93,307	481,713	952,072	-	1,660,026
Internal Service	-	-	33,300	271,484	22,676	-	327,460
<b>Total Governmental Activities</b>	<b>\$ 3,157,614</b>	<b>\$ 74,147</b>	<b>\$ 3,974,370</b>	<b>\$ 3,493,755</b>	<b>\$ 5,701,472</b>	<b>\$ -</b>	<b>\$ 16,401,358</b>

### Business-Type Activities:

Solid Waste	\$ -	\$ -	\$ 45,003	\$ 1,916,368	\$ 357,189	\$ -	\$ 2,318,560
Grand Mound	-	2,285,282	168,462	152,506	17,549	-	2,623,799
Other Enterprise Funds	-	905,922	8,269	109,768	221,939	144,164	1,390,062
<b>Total Business-Type Activities</b>	<b>\$ -</b>	<b>\$ 3,191,204</b>	<b>\$ 221,734</b>	<b>\$ 2,178,642</b>	<b>\$ 596,677</b>	<b>\$ 144,164</b>	<b>\$ 6,332,421</b>

## Thurston County, Washington 2010

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

<b>Deferred/Unearned Revenue</b>	
Delinquent property taxes receivable (General Fund)	\$ 1,716,941
Delinquent property taxes receivable (Roads Fund)	882,664
Delinquent property taxes receivable (Medic One)	448,927
Delinquent property taxes receivable (Public Health & Social Services)	36,354
Delinquent property taxes receivable (Other Governmental Funds)	72,728
Delinquent special assessment receivable (Public Health & Social Services)	13,941
Delinquent special assessment receivable (Other Governmental Funds)	60,206
Delinquent accrued interest and penalties receivable (General Fund)	3,637,593
Delinquent accrued interest and penalties receivable (Other Governmental Funds)	87,855
Deferred Revenue-Other (Roads Fund)	83,255
Deferred Revenue-Other (Medic One Fund)	1
Total deferred/unearned revenue for governmental funds	\$ 7,040,465

## NOTE VIII – LONG-TERM AND OTHER SIGNIFICANT DEBT

### A. Disclosures About Each Significant Debt Incurred

#### 1. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition, construction, and improvement of capital facilities, and major equipment purchases. General obligation bonds have been issued for both general government and proprietary activities. The proprietary portion of general obligation debt is reported in proprietary funds because repayments will eventually come from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Payments on these bonds are funded from real estate excise tax fees and proprietary revenues.

1999 Grand Mound Limited General Obligation Bonds of \$11,720,000 were issued in annual principal installments of \$250,000 to \$1,300,000 beginning in 2004 and running through 2019. The issue was serviced by the Grand Mound Debt Service Redemption Fund. Proceeds were used for constructing and equipping Grand Mound water and wastewater facilities. A portion of this debt is financed through a special assessment levied against properties within the Grand Mound ULID. The bonds bear an interest rate of 5.0% to 5.6%. \$7,500,000 was refunded with 2005 Advanced Refunding Bonds. The remaining balance of \$1,800,000 was refunded with 2010 Advanced Refunding Bonds. There was no outstanding balance as of December 31, 2010.

2002 Limited General Obligation Bonds of \$10,635,000 were issued in annual principal installments of \$320,000 to \$790,000 beginning in 2002 and running through 2022. Proceeds were used to payoff the 2000 General Obligation Bonds and for improvements to various county

## Thurston County, Washington 2010

facilities. The bonds bear an interest rate of 4.0% to 5.13%. \$6,730,000 was refunded with 2010 Advanced Refunding Bonds. The remaining outstanding balance as of December 31, 2010 was \$445,000.

2004 Limited General Obligation Bonds of \$11,000,000 were issued in 2004. The proceeds were used to acquire property and for improvements to various county facilities including: a) acquiring land to construct a jail facility, b) expanding the county/regional park system, c) acquiring a building adjacent to the courthouse to ease overcrowding and relieve existing space problems and d) replacing the County's 20-year old central phone system. The bonds bear an interest rate of 2.5% to 4.50% semi annually with annual principal installments from \$400,000 to \$800,000 a year. The term of the bonds is 20 years with the final payment due in 2024. The balance at December 31, 2010 was \$8,615,000.

2005 Limited General Obligation Bonds of \$26,135,000 were issued in 2005. The bonds were used as follows: \$15,700,000 was used for a partial advance refunding of \$16,175,000 of outstanding 1997 bonds (which were used to finance the juvenile detention facility, jail improvements and RID #2) and \$7,510,000 was used for an advance refunding of \$7,500,000 of outstanding 1999 bonds. The other portion of the issue amounting to \$2,925,000 was utilized to finance park acquisitions and other capital improvements. The bonds bear an interest rate of 3.0% to 5.0% semi annually with annual principal installments ranging from \$100,000 to \$3,000,000 a year. The term of the bonds is 20 years with the final payment due in 2025. The balance at December 31, 2010 was \$20,980,000 of which \$6,760,000 was for the Grand Mound Utility.

2007 Limited General Obligation Bonds of \$5,000,000 were issued in 2007. The bonds were used to partially fund a second county jail. The term of the bonds is 20 years with the final payment due in 2027. The bonds bear interest rates of 3.75% to 4.0% payable semi-annually with annual principal installments ranging from \$125,000 to \$375,000 a year. The balance at December 31, 2010 was \$4,530,000.

2009 Limited General Obligation Bonds of \$42,765,000 were issued in 2009. The bonds were used to fund construction of the Accountability Restitution Center, communication system upgrades, and other approved capital projects. The term of the bonds is 20 years with the final payment due in 2029. The bonds bear interest rates of 3.0% to 5.0% payable semi-annually with annual principal installments ranging from \$755,000 to \$3,130,000 a year. The balance at December 31, 2010 was \$42,010,000.

2010 Limited General Obligation Bonds of \$29,665,000 were issued in 2010. The bonds are being used as follows:

\$8,775,000 was used for an advance refunding of \$1,800,000 of outstanding 1999 bonds and for a partial advance refunding of \$6,730,000 of outstanding 2002 bonds. The bonds bear an interest rate of 2% to 4% payable semi-annually with annual principal installments ranging from \$555,000 to \$1,505,000. The term of the bonds is 12 years with final payment due in 2022. The advanced refunding portion of the 1999 bonds is serviced by the Grand Mound Debt Service Fund (Enterprise Fund). The balance at December 31, 2010 was \$8,775,000 of which \$1,825,000 was for the Grand Mound Utility.

\$18,850,000 of Taxable Build America Bonds were issued to finance construction of the Tilley Road project, communication system upgrades and other building improvements. The bonds bear an interest rate of .75% to 5.4% payable semi-annually with annual principal installments ranging from \$825,000 to \$1,285,000. The Build America Bonds also have an interest subsidy

## Thurston County, Washington 2010

from the Internal Revenue Service to be received in semi-annual installments of 35% of the interest amount. The term of the bonds is 20 years with final payment due in 2030. The balance at December 31, 2010 was \$18,850,000.

\$2,040,000 of Taxable Qualified Energy Conservation Bonds were issued to finance a portion of the Tilley Road project. The bonds bear an interest rate of 5.5% payable in semi-annual interest payments. Qualified Energy Conservation Bonds also have an interest subsidy from the Internal Revenue Service to be received in semi-annual installments ranging from \$41,746 to \$74,398. The term of the bonds is 18 years with a single principal payment due in 2029. The balance at December 31, 2010 was \$ 2,040,000.

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 4,400,000	\$ 4,101,523	\$ 745,000	\$ 363,981
2012	4,740,000	3,885,251	800,000	324,500
2013	5,005,000	3,726,141	920,000	284,800
2014	5,265,000	3,553,631	910,000	239,100
2015	5,505,000	3,367,519	915,000	193,900
2016 - 2020	24,705,000	14,283,252	4,295,000	493,350
2021 - 2025	23,300,000	9,121,586	-	-
2026 - 2030	24,740,000	3,847,493	-	-
<b>Total</b>	<b>\$ 97,660,000</b>	<b>\$ 45,886,396</b>	<b>\$ 8,585,000</b>	<b>\$ 1,899,631</b>

### 2. Loans and Contracts Payable

Grand Mound-Water had a Public Works Trust Fund loan for a water corrosion control project from the Washington State Department of Commerce that was not to exceed \$37,358 with an interest rate of 2% per annum. The County agreed to repay the loan from water and sewer utility revenues, general obligation tax assessments, and other available County monies. Yearly loan payments were due on July 1 and were equal to 1/4<sup>th</sup> of the principal balance plus interest on the unpaid balance of the loan starting in 2007. The term of the loan was for five years. The final payment was in 2010. The balance at December 31, 2010 was 0.

The Community Loan Repayment Funds (Enterprise Funds) entered into seven state revolving fund (SRF) loan agreements with the State of Washington Department of Ecology to create a community loan program to provide low interest loans for the repair of failing on-site septic systems. The loan programs are 80% federal from the Environmental Protection Agency, and 20% state from the Department of Ecology.

The first loan is not to exceed \$300,000 with an interest rate of 5% per annum. Repayment began in 1996. The term of the loan is for twenty years. The balance at December 31, 2010 is \$81,709. The second loan is not to exceed \$200,000 with an interest rate of 0%. The term of the loan is for twenty years. The balance at December 31, 2010 is \$44,712. The third loan is not to exceed \$200,000 with an interest rate of 4.3%. Repayment began in 2003. The term of the loan is for twenty years. The balance at December 31, 2010 is \$100,554. A fourth loan began in 2000 and is not to exceed \$100,000 with an interest rate of 0%. Repayments began in 2003. The balance at December 31, 2010 is \$13,381. During 2002 a fifth loan began with borrowing not to exceed the value of \$150,000 and an interest rate of 1.5%. Repayment began

after project completion on December 31, 2005. The balance as of December 31, 2010 is \$76,498. The sixth loan is not to exceed \$200,000 with an interest rate of 1.5%. Repayment began in 2009. The term of the loan is for twenty years and the balance at December 31, 2010 was \$160,063. The seventh loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment will begin when the draws are substantially complete. The term of the loan is for twenty years and the balance at December 31, 2010 was \$107,719.

Water and Waste Management entered into a state revolving fund (DWSRF) loan agreement with the State of Washington Department of Community Development to construct a corrosion control system for the Grand Mound water system in 2006. The term of the loan is for 20 years and the amount to be financed is \$132,518 with an interest rate of 1%. The balance at December 31, 2010 was \$82,641.

### 3. Special Assessment Bonds

The County has also issued special assessment debt for the construction and replacement of wastewater collection systems within the County. This debt will be repaid from amounts levied against the property owners benefited by this construction. The County must provide the resources to cover a deficiency due to any unpaid or delinquent special assessments until other resources, such as foreclosure proceeds, are received. The special assessment debt outstanding is as follows:

In 2004, the County entered into a state revolving fund (SRF) loan agreement with the State of Washington Department of Ecology to create a new Utility Local Improvement District for Tamoshan/Beverly Beach wastewater plant Improvements in 2002. The original principal amount was \$1,526,507. Repayments began in 2004 and the loan balance at December 31, 2010 was \$817,671. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2010, the amount of delinquent principal was \$4,385.

In 1997, Olympic View Debt Redemption Fund (Enterprise Fund) has a Public Works Trust Fund loan, which is not to exceed \$110,000 with an interest rate of 5% per annum. Yearly loan payments are due on July 1 and are equal to 1/19th of the principal balance plus interest on the unpaid balance of the loan. The term of the loan is for twenty years. The original principal amount was \$94,000. The loan is due in 2016 and has a balance at December 31, 2010 of \$21,216.

The annual debt service requirements to maturity for the loans, contracts payable and special assessment debt are as follows:

Year Ending December 31	Business-Type Activities	
	Principal	Interest
2011	\$ 128,400	\$ 13,952
2012	131,437	18,990
2013	141,246	17,257
2014	142,906	15,343
2015	144,635	13,360
2016 - 2020	627,980	46,769
2021 - 2025	154,632	10,730
2026 - 2030	34,928	866
Total	\$ 1,506,164	\$ 137,267

## 4. Leases

## a. Operating Lease Liabilities

The County has lease commitments for leases of buildings and office space that are cancelable and non-cancelable with lease terms primarily from month to month with one that extends to 2013. Operating lease expenditures for the year ended December 31, 2010 were \$1,253,137. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2011	\$ 1,359,912
2012	962,229
2013	530,300
Total	\$ 2,852,441

## b. Capital Lease Liabilities

The County has entered into the transactions that are recorded as capital lease purchases to account for copier leases. These long-term contracts incorporate some or all of the benefits and risks of ownership. The leased assets and related obligations are accounted for in the statement of net assets. The net capital lease amount shown below reflects the assets continuing to be financed through the capital lease. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The assets acquired through capital lease are as follows:

Asset	Governmental Activities	Business-Type Activities
Machinery & Equipment	\$ 646,169	\$ 106,205
Less: accumulated depreciation	(309,814)	(59,482)
Present Value of Minimum Lease Payments	336,355	46,723
Plus amount representing interest	66,543	4,356
Total invested in capital leases	\$ 402,898	\$ 51,079



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The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2010 were as follows:

<b>Year Ending December 31</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2011	\$ 169,836	\$ 25,622
2012	122,507	15,535
2013	70,265	9,922
2014	35,946	-
2015	4,344	-
Total Minimum Lease Payments	\$ 402,898	\$ 51,079
Less: Interest	66,543	4,356
Present Value of Minimum Lease Payments	\$ 336,355	\$ 46,723

c. Lease Receivables

The County currently leases some of its property to various tenants under long-term cancelable and non-cancelable contracts. The following is an analysis of the County's investment in property under long-term operating leases as of December 31, 2010:

<b>Asset</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Land	\$ 752,493	\$ 18,001
Buildings	6,440,713	37,296
Less: Accumulated Depreciation	(1,425,323)	(11,715)
Total Invested in Long Term Leases	\$ 5,767,883	\$ 43,582

The County received \$204,162 of operating lease revenues from these contracts in 2010. Amounts that will be received in future years under these lease agreements are noted below:

<b>Year Ending December 31</b>	<b>Amount</b>
2011	\$ 133,101
2012	114,767
2013	102,111
2014	104,645
2015	107,244
2016 - 2030	15
Total Lease Receivable	\$ 561,883

The \$15 receivable from 2016 through 2030 is for a park and ride lease with Intercity Transit located at the Waste and Recovery Center at \$1 per year.

## 5. Long-term Compensated Absences

Thurston County has traditional and alternative leave plans. Thurston County employees who chose the traditional leave plan earn 12 days of sick leave and 12-22 days of vacation leave per year depending upon the employee's length of service. A maximum of 140 days of sick leave may be accrued and a maximum of 45 days of vacation may be accrued. County employees, who chose the alternative leave plan, earn 18-28 days of annual or personal leave (a combination of sick leave and vacation leave) per year depending upon the employee's length of service. A maximum of 185 days of personal leave may be accrued. Accumulated unpaid vacation/annual leave is recorded as earned by employees. In the traditional plan, terminating employees are entitled to be paid for unused vacation up to a maximum of 240 hours and, if retiring, half of unused sick leave, to a maximum of 360 hours. Alternative plan employees who terminate are entitled to be paid for unused leave up to 280 hours.

The County reported a liability of \$6,815,099 at December 31, 2010 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Assets. This liability includes \$5,546,386 for governmental funds, \$637,119 for internal service funds and \$631,594 for enterprise funds. \$356,880 of this liability is expected to be incurred in 2011. During 2010, the county changed its method used to calculate the allocation of compensated absences between current and long term liabilities. The county believes this change was necessary to reflect a more accurate pattern of historical activity in this liability account. Leave costs are paid from governmental funds that fund the personnel costs for those employees. Vested sick leave is not considered material and is not accrued.

## 6. Other Post Employment Benefits

Thurston County administers two post employment benefit programs that provide primarily post employment medical benefits to retired Thurston County employees. These programs are for retired Law Enforcement Officers and Fire Fighters (LEOFF) under the LEOFF 1 retirement act and for all Thurston County employees through the state managed Public Employees Benefits Board (PEBB). A long term governmental liability of \$1,415,827 was recognized for LEOFF 1 benefits in the statement of net assets in 2010. A long term liability of \$9,645,863 was also recognized for PEBB benefits in the financial statements. This liability was allocated between governmental and proprietary funds based on current active full time employees. Consequently, \$8,909,875 was recognized in the statement of net assets for governmental and internal service funds and \$735,988 was recognized for enterprise funds. Note XII contains detailed information on these two post employment benefit programs including the computation of the current accrued cost and the associated long term liability.

Thurston County, Washington 2010

**B. Changes in Long-Term and Other Significant Debt**

The following is a summary of long-term and other significant debt transactions of the County:

**Schedule Of Changes Debt and Other Long-Term Liabilities  
For The Year Ended December 31, 2010**

	Beginning Balance	New Issues And Adjustments	Retirements And Adjustments	Ending Balance	Due Within One Year
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**Governmental Activities:**

Bonds payable:					
General obligation bonds	\$ 79,894,023	\$ 27,840,000	\$ 10,074,021	\$ 97,660,002	\$ 4,469,483
Deferred amounts:					
On refunding	(537,407)	(360,168)	(33,588)	(863,987)	(38,062)
For issuance premiums	1,391,002	360,524	80,359	1,671,167	87,336
Total bonds payable	80,747,618	27,840,356	10,120,792	98,467,182	4,518,757
Capital leases payable	306,244	167,962	137,851	336,355	138,049
Claims and judgments payable	4,414,807	-	389,011	4,025,796	667,562
Compensated absences	7,128,720	3,834,162	4,779,377	6,183,505	323,804
Other post employment benefits (OPEB)	7,793,959	3,014,691	482,948	10,325,702	-
Total governmental activities	\$ 100,391,348	\$ 34,857,171	\$ 15,909,979	\$ 119,338,540	\$ 5,648,172

**Business-type activities:**

Bonds payable:					
General obligation bonds	\$ 9,310,000	\$ 1,825,000	\$ 2,550,000	\$ 8,585,000	\$ 745,000
Deferred amounts:					
On refunding	(354,786)	(10,481)	(35,478)	(329,789)	(36,352)
For issuance premiums	402,465	5,097	40,246	367,316	40,671
Total bonds payable	9,357,679	1,819,616	2,554,768	8,622,527	749,319
Notes/loans payable	1,585,207	57,470	136,513	1,506,164	128,398
Capital leases payable	78,985	-	32,262	46,723	22,880
Compensated absences	222,356	567,670	158,432	631,594	33,076
Other post employment benefits (OPEB)	230,249	545,632	39,893	735,988	-
Total business-type activities	\$ 11,474,476	\$ 2,990,388	\$ 2,921,868	\$ 11,542,996	\$ 933,673

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$637,119 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$293,621 of general obligation bonds payable and \$720,848 of other post employment benefits payable. Claims and judgments are generally liquidated by the Insurance Risk Management Internal Service Fund and compensated absences are liquidated by the funds incurring the liability. Enterprise segment information is not disclosed since revenue streams are not pledged to support proprietary long-term debt.

# Thurston County, Washington 2010

## C. Assets Available for Debt Service

The County is meeting debt service requirements. The County has sufficient assets in a variety of different funds to meet current and future debt service payments. At December 31, 2010, the County had \$7,671 available in reserve in governmental debt service funds to service general obligation debt. The County's general obligation debt, as noted above, will be funded by cash balances and future revenue streams from the Real Estate Tax and Detention Facility Sales Tax Holding Funds which are reported as major funds in the fund financial statements. At December 31, 2010, the County had \$3,578,527 in net assets restricted for business type debt which primarily include current and long term special assessment receivables that have been assessed on benefitting utility districts.

## D. Legal Debt Margin

State law limits Thurston County's non-voted debt capacity of 1 ½% and voted debt capacity of 2 ½% of the assessed valuation. The capacity amounts are as follows for 2010:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 407,161,021	\$ 308,701,692
General Government (With 3/5-majority vote)	\$ 678,601,702	\$ 580,142,373

## E. Contingent Liability for Refunded and Defeased Debt

In prior years, the County issued general obligation refunding (new) bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded (old) debt. As a result, the refunded bonds are considered to be defeased and the liability for the defeased bonds is not included in the County's financial statements. Currently the County has three outstanding refunded issues.

### Schedule Of Refunded And Defeased Bonds, Assets, And Liabilities As of December 31, 2010

	01/01/10	Increases	Decreases	12/31/10
Refunded & Defeased Bonds Outstanding	\$ 7,500,000	\$ 8,530,000	\$ -	\$ 16,030,000

General Obligation Bonds of \$26,135,000 were issued in 2005 of which \$7,510,000 was used for an advance refunding of \$7,500,000 of outstanding 1999 enterprise bonds. The advance refunding of the 1999 bonds resulted in an economic gain of \$440,635 with a \$567,825 reduction in debt service payments over the next 14 years.

# Thurston County, Washington 2010

General Obligation Bonds of \$29,665,000 were issued in 2010 of which \$8,775,000 was used for an advance refunding of \$1,800,000 of outstanding 1999 enterprise bonds and \$6,730,000 of 2002 general obligation bonds. The advance refunding of the bonds resulted in an economic gain of \$998,350 with a \$1,126,494 reduction in debt service payments over the next 12 years.

## NOTE IX – INTERFUND TRANSACTIONS

### A. Interfund Receivables and Payables

Interfund transactions usually involve the exchange of goods and services between funds in a normal business relationship. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The composition of interfund receivables and payables in the fund financial statements as of December 31, 2010 is shown in the following table.

Due From Other Funds									
Due to Other Funds	General Fund	Roads	Public Health	Non-Maj Gov	Internal Service	Solid Waste	Grand Mound	Non-Maj Enter	Total
General Fund	\$ -	\$ -	\$ 31,064	\$ 68,008	\$ 12,581	\$ 51	\$ -	\$ 1,855	\$ 113,559
Detention Facility	166,410	-	-	4,349	-	-	-	-	170,759
Real Estate Excise Tax	-	45,127	-	-	-	-	49,616	8,948	103,691
Roads	6,073	-	50	-	16,359	556	30	1,533	24,601
Medic One	-	-	-	-	792	-	-	-	792
Public Health	84,314	-	-	-	4	-	-	280	84,598
Non-Major Governmental	651,008	125	372,865	-	68,136	-	-	16,536	1,108,670
Internal Service	34	-	1	-	5,737	-	-	-	5,772
Solid Waste	18,898	6,803	209,058	-	2,535	2,361,278	-	12,325	2,610,897
Grand Mound	-	35,920	252	-	-	-	129,999	318	166,489
Non-Major Enterprise	6,379	235,646	34,400	45,493	5,482	-	-	28,420	355,820
<b>Total Due to/Due from</b>	<b>\$ 933,116</b>	<b>\$ 323,621</b>	<b>\$ 647,690</b>	<b>\$ 117,850</b>	<b>\$ 111,626</b>	<b>\$ 2,361,885</b>	<b>\$ 179,645</b>	<b>\$ 70,215</b>	<b>\$ 4,745,648</b>

### B. Interfund Loans and Advances

Interfund loans and advances are fund transfers, usually interest bearing, that will be repaid in future years. Interfund loans are fund transfers for less than a year that are outstanding at year end and advances are fund transfers for more than one year. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. The following advances were outstanding as of December 31, 2010:

1. The Detention Facilities Sales Tax Holding Fund advanced \$6,000,000 at a 3% interest rate to the General Fund in March of 2009. The entire advance, including \$195,000 of accrued interest, was repaid in April of 2010.

# Thurston County, Washington 2010

2. The Roads Fund advanced \$800,000 to the Development Services Fund in 2008. There is a five year repayment period starting in 2009 and ending in 2013. The advance bears an interest rate of 3% with monthly payments of \$15,587 throughout the repayment period. The remaining balance at December 31, 2010 was \$344,982.

## C. Interfund Transfers

Interfund transfers are subsidies and contributions provided by one fund to another fund with no corresponding promise for repayment. These amounts, which are reported in the fund financial statements, were eliminated in the government-wide statements. Transfers out from the General Fund are usually made to subsidize activities in other funds such as Fair and Public Health that are not fully funded by taxes, grants or program and service fees. Transfers in to the General Fund are primarily from sales tax holding funds for public safety purposes. Transfers out of Detention Facilities Sales Tax and Debt Holding Funds are primarily to fund public safety capital projects in capital project funds and public safety operations in the General Fund. Transfers in to Public Health and Social Services comprise subsidies and support service payments from the General and Treatment Sales Tax Funds. Transfers in to and out of proprietary and non-major governmental funds are primarily for debt service and associated capital projects. Transfers also include transfers of residual fund balances to active ongoing funds from funds that were closed out and terminated during the year.

Interfund transfers occurring between major funds, non-major governmental funds, non-major enterprise funds and internal service funds of the County during the year ended December 31, 2010 are summarized below:

Transfer In										
Transfer Out	General Fund	Roads	Medic One	Public Health	Non-Major Govt	Internal Service	Solid Waste	Grand Mound	Non-Major Enterprise	Total
General Fund	\$ -	\$ -	\$ -	\$ 966,228	\$ 445,267	\$ 143,238	\$ -	\$ -	\$ 18,145	\$ 1,572,878
Debt Holding	-	-	-	-	9,443,971	-	-	-	-	9,443,971
Detention Facility Hldg	1,451,087	-	-	-	4,418,240	-	-	-	-	5,869,327
Real Estate Excise Tax	-	1,742,726	-	-	2,026,460	-	-	875,515	56,034	4,700,735
Roads	-	1,500,000	-	-	-	-	-	-	-	1,500,000
Medic One	-	-	4,051	-	-	-	-	-	-	4,051
Public Health	-	-	-	37,125	-	-	-	-	-	37,125
Non-Major Govt	1,788,835	116,951	-	982,871	366,312	432,162	-	-	-	3,687,131
Internal Service	743,000	-	-	14,093	20,502	759,001	-	-	646	1,537,242
Solid Waste	-	-	-	-	-	-	2,358,179	-	50,129	2,408,308
Ground Mound	-	-	-	-	-	-	-	693,835	-	693,835
Non-Major Enterprise	-	-	-	-	-	-	-	-	677,603	677,603
<b>Total Transfers</b>	<b>\$ 3,982,922</b>	<b>\$ 3,359,677</b>	<b>\$ 4,051</b>	<b>\$ 2,000,317</b>	<b>\$ 16,720,752</b>	<b>\$ 1,334,401</b>	<b>\$ 2,358,179</b>	<b>\$ 1,569,350</b>	<b>\$ 802,557</b>	<b>\$ 32,132,206</b>

## NOTE X – PENSION PLANS

Substantially all 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. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

### A. Public Employees' Retirement System (PERS) Plans 1, 2, and 3

#### Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced.

A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.



PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is 6 reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

#### *Judicial Benefit Multiplier*

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75 percent of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
<b>Total</b>	<b>262,166</b>

#### Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

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The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2010, were as follows:

Members not participating in JBM:

	<i><b>PERS Plan 1</b></i>	<i><b>PERS Plan 2</b></i>	<i><b>PERS Plan 3</b></i>
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

\*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	<i><b>PERS Plan 1</b></i>	<i><b>PERS Plan 2</b></i>	<i><b>PERS Plan 3</b></i>
Employer-State Agency*	7.81%	7.81%	7.81%**
Employer-Local Govt.*	5.31%	5.31%	5.31%**
Employee-State Agency	9.76%	7.25%	7.50%***
Employee-Local Govt.	12.26%	9.75%	7.50%***

\* The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Minimum rate.

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Both county and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2010	\$ 179,089	\$ 2,019,168	\$ 229,265
2009	\$ 257,638	\$ 2,593,492	\$ 281,482
2008	\$ 398,108	\$ 3,482,899	\$ 361,252

### **B. Law Enforcement Officers and Fire Fighters (LEOFF) Plans 1 and 2**

#### **Plan Description**

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined

allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months.) Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit. LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to but not yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	3,944
<b>Total</b>	<b>27,435</b>

#### Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

## Thurston County, Washington 2010

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24% **
Employee	0.00%	8.46%
State	N/A	3.38%

\*The employer rates include the employer administrative expense fee currently set at 0.16%.

\*\* The employer rate for ports and universities is 8.62%.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2010	\$ 294	\$ 314,046
2009	\$ 294	\$ 332,133
2008	\$ 335	\$ 399,102

### C. Public Safety Employee's Retirement System (PSERS) Plan 2

#### Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 Legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include: State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and one of the following:

- Completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job.
- Primary responsibility to ensure the custody and security of incarcerated or probationary individuals.

- Limited authority to function as a Washington peace officer, as defined in RCW 10.93.020
- Primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). PSERS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

PSERS members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.



## Thurston County, Washington 2010

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	4,340
<b>Total</b>	<b>4,342</b>

### Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

	<b><i>PSERS Plan 2</i></b>
Employer*	7.85%
Employee	6.55%

\* The employer rate includes an employer administrative expense fee of 0.16%.

Both county and the employees made the required contributions. The county's required contributions for the years ended December 31 were as follows:

	<b>PSERS Plan 2</b>
2010	\$ 421,031
2009	\$ 437,727
2008	\$ 529,464

### **NOTE XI – RISK MANAGEMENT**

Thurston County is exposed to various risks of loss related to torts; thefts, damage, and/or destruction of assets; errors and omissions; and natural disaster for which the County either belongs to a risk pool, carries liability insurance, or is self-insured.

## A. Risk Pool and General Liability Insurance

Thurston County is one of twenty-seven members that participated in the Washington Counties Risk Pool (Pool) during 2010. Chapter 48.62 RCW and 82.60 WAC authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the extent that they may individually purchase insurance, self insure, or hire or contract for risk management services. It is overseen by the State Risk Manager and subject to fiscal audits performed annually by the State Auditor.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on August 18, 1988 when several counties in the State of Washington joined together by signing an Interlocal Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. The enabling Interlocal Agreement was amended once in 2000 to add the Membership Compact, a commitment to strengthen the Pool by helping its member counties implement and/or enhance local risk management efforts to reduce losses and support best management practices. The Membership Compact supports these goals through three major elements: membership involvement, risk control practices, and targeted risk management programs.

The Pool allows members to establish a plan of self-insurance, jointly purchase excess or reinsurance and provide related services. All Pool joint self-insurance liability coverage, including public officials' errors and omissions, and property insurance program are on an "occurrence" basis. The Pool provides the following forms of group-purchased insurance coverage for its members: "following form" excess liability, and jointly-purchased property insurance as a member option that includes structures, vehicles, mobile equipment, and EDP equipment. Special events/concessionaires are another optional group purchase insurance coverage.

Members make an annual contribution to fund the Pool. The Pool acquires liability reinsurance and "following form" excess insurance from unrelated underwriters that is subject to a per-occurrence self-insured retention of \$100,000, or the member-selected deductible, whichever is greater. Members are responsible for their elected deductible amounts ranging from \$10,000 to \$500,000 of each covered claim while the Pool is responsible for the remaining difference up to the pool's \$100,000 to the maximum limits of each policy. The reinsurance and excess insurance carriers cover losses exceeding the greater of the pool's retention or the member county's deductible to the maximum limits of each policy.

Except for the Pool's self insured retention (the greater of the member's deductible or \$100,000), the initial \$10 million of coverage is fully reinsured by superior-rated commercial carriers. The remaining insurance (up to \$15 million) is acquired as "following form" excess insurance from superior-rated commercial carriers. There are no aggregate limits to the payments made for any one member county or all member counties combined.

The pool is governed by a board of directors that is comprised of at least one designated representative from each participating member. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the pool. Members contract to remain in the pool for a minimum of five years, and must give notice one year before terminating participation. Thurston County rejoined the pool on October 1, 2000, after a one-year absence. The contract with the pool is renewed automatically each year until terminated. Each member is responsible for contributions to the pool for any unresolved, unreported, and in-

## Thurston County, Washington 2010

process claims for the period(s) during which it was a signatory to the interlocal agreement, even after termination of the contractual relationship.

The pool is fully funded by its member participants as a cooperative program with joint liability among the participating members. Claims are filed by members with the pool. Any deficits or program assets which are insufficient to cover program liabilities are financed by proportional reassessments against that year's membership. The Pool's reassessment receivable at December 31, 2010 remains at zero.

The County has recorded in its financial statements all material liabilities. This includes estimates for expense, defense and/or payment of pending claims and claims incurred but not reported. Furthermore, the County's settlements have not exceeded the County's insurance coverage in each of the past three years. In the opinion of management, the County's insurance policies, including its participation in the Washington Counties Risk Pool, in conjunction with our funded retention, are adequate to pay all known or pending claims as they come due.

The County paid general claims costs of \$637,724 during 2010. The County's suggested claim reserves, at a 70% confidence level, and therefore the County's potential liability for claims and costs not covered by the risk pool, were estimated by the pool's actuary on December 31, 2010 as \$4,025,790. The suggested reserve includes reserves for open claims plus an estimate of incurred but not reported (IBNR) claims. It should be recognized that portions of the estimated additional liability incurred are projections. As estimates, these values fluctuate and are subject to inherent variability and may or may not become payable over the course of several years.

Schedule of Claims and Judgments Payable		
	2010	2009
Beginning claims liability	\$ 4,414,807	\$ 3,700,869
Claims incurred during the year (including IBNRs)*	248,713	1,005,948
Claims payments	(637,724)	(292,010)
Ending claims liability	\$ 4,025,796	\$ 4,414,807

\*Includes total provision for events of the current fiscal year and any changes in the provision for events for prior fiscal years.

### B. Other

The County is not self insured for other types of risks and losses except as described above under "Risk Pool and General Liability Insurance". The County reimburses Washington State Employment Security for unemployment compensation claims. These claims are funded through employee related fund transfers into the County's Unemployment Compensation Fund. The County also pays Washington State Labor and Industries a stipulated amount per employee per payroll period for a state mandated industrial insurance program for worker compensation claims. As discussed in Note VIII.E., the County also has a contingent financial liability for the payment of refunded debt.

## NOTE XII – OTHER POST-EMPLOYMENT BENEFITS

The County provides other post-employment benefits (OPEB) in addition to pension benefits described in Note X.

### A. LEOFF

Lifetime full medical coverage is provided to uniformed law enforcement officers as members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Assets. The actual medical costs are reported as expenditures in the year they are incurred.

#### 1. Plan Description

The County provides lifetime medical care in accordance with the Washington LEOFF 1 Act (RCW 41.26) for retired full time, fully compensated, law enforcement officers who established membership in the LEOFF 1 retirement system on or before September 30, 1977. All or most of the County's LEOFF 1 officers are eligible for benefits when they reach normal retirement age through a defined benefit healthcare plan administered by the County.

Thurston County reimburses retired LEOFF 1 officers for reasonable medical charges usually provided by one of the County's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the County's Comprehensive Annual Financial Report.

In 2010, 18 retirees received benefits under this act. As of December 31, 2010, there were 2 active officers who may become eligible for those benefits when they reach normal retirement age.

#### 2. Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the County as required by RCW. The County's funding policy is based upon pay-as-you-go financing requirements.

#### 3. Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$1,415,828 is reported as a non-current liability on the Statement of Net Assets.

Thurston County, Washington 2010

	Year Ending 12/31/2008	Year Ending 12/31/2009	Year Ending 12/31/2010
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**Determination of Annual Required Contribution:**

Normal Cost at Year End	\$ 34,096	\$ 23,454	\$ 23,239
Amortization of UAAL*	570,644	553,368	529,791
Annual Required Contribution	\$ 604,740	\$ 576,822	\$ 553,030

**Determination of Net OPEB Obligation:**

Annual Required Contribution	\$ 604,740	\$ 576,822	\$ 553,030
Interest on Prior Year Net OPEB Obligation	16,540	35,058	50,253
Adjustment to ARC	12,674	(72,542)	(103,983)
Annual OPEB Cost	633,954	539,338	499,300
Contributions Made	(222,432)	(201,671)	(200,206)
Increase in Net OPEB Obligation	\$ 411,522	\$ 337,667	\$ 299,094

**Net OPEB Obligation - End Of Year:**

Net OPEB Obligation - Beginning of Year	\$ 367,545	\$ 779,067	\$ 1,116,734
Increase in Net OPEB Obligation	411,522	337,667	299,094
Net OPEB Obligation-end of year (NOO)	\$ 779,067	\$ 1,116,734	\$ 1,415,828

\*Unfunded Actuarial Accrued Liability (UAAL)

The County's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 633,953	\$ 222,432	35.1%	\$ 779,066	\$ 226,117	2710.30%
12/31/2009	\$ 539,338	\$ 201,671	37.4%	\$ 1,116,733	\$ 233,651	2543.50%
12/31/2010	\$ 499,300	\$ 200,206	40.1%	\$ 1,415,828	\$ 235,757	2413.39%

**4. Funded Status and Funding Progress**

As of December 31, 2010 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$5,689,718 and the actuarial value of the assets was \$0 resulting in a UAAL of \$5,689,718.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2010, these costs total \$52,951 with a cost per retiree of \$2,942. Thurston County uses the Long Term Care Special Revenue Fund to purchase additional long-term care insurance for LEOFF 1 retirees.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the

funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

## 5. Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The healthcare cost trend assumption started at 9% in 2007 and decreases to an ultimate rate of 5% in 2015 and beyond. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at December 31, 2010 was 27 years.

### B. PEBB

Thurston County provides to its retirees employer provided subsidies for post-employment medical and life insurance benefits provided through the Public Employee Benefits Board (PEBB). A liability for the accumulated unfunded actuarially required contribution is reported in the entity-wide and proprietary statements of net assets. The actual medical costs are paid through annual fees and premiums to the PEBB.

#### 1. Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees and their dependents. The subsidies provided by PEBB to the County include the following:

- Explicit Medical Subsidy for Post-65 retirees
- Explicit Life Insurance Subsidy for all retirees
- Implicit Medical Subsidy for Pre-65 retirees

The explicit subsidies are monthly amounts per retiree. The implicit medical subsidy is the difference between the total cost of pre-65 medical benefits and the pre-65 contributions paid by retirees.

## 2. Eligibility

County members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 of the PERS.

- Age 65 with 5 years of service
- Age 55 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement.

## 3. Medical and Life Benefits

Upon retirement, members are permitted to receive medical benefits. Retirees currently pay the following monthly rates for pre-65 medical coverage:

Plan	Employee Only	Employee & Spouse	Employee & Children	Full Family
Aetna Public Employees Plan	\$ 531.44	\$ 1,056.44	\$ 925.19	\$ 1,450.19
Group Health Classic	\$ 470.73	\$ 935.02	\$ 818.95	\$ 1,283.24
Group Health Value	\$ 421.44	\$ 836.44	\$ 732.69	\$ 1,147.69
Kaiser Permanente Classic	\$ 471.51	\$ 936.58	\$ 820.31	\$ 1,285.38
Kaiser Permanente Value	\$ 441.08	\$ 875.72	\$ 767.06	\$ 1,201.70
Uniform Medical Plan	\$ 440.20	\$ 873.96	\$ 765.52	\$ 1,199.28

For 2010, after age 65 retired members and their spouses received a subsidy of 50% of their monthly medical premiums up to \$182.89 per Medicare covered member.

For 2010, retirees also received an explicit subsidy of \$4.77/month toward Life Insurance premiums.

## 4. Funding Policy

The funding policy is based upon pay-as-you-go financing requirements.

## 5. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of 27 years as of December 31, 2010. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB.

In 2009, the actuary used by the County made a correction for 2008 that decreased the Net OPEB Obligation-end of year by \$143,888. This correction was reported in the table below in the 2009 column as a Prior Period Actuarial Correction to ARC.

Thurston County, Washington 2010

	Year Ending 12/31/2008	Year Ending 12/31/2009	Year Ending 12/31/2010
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**Determination of Annual Required Contribution:**

Normal Cost at Year End	\$ 1,541,152	\$ 1,833,764	\$ 1,833,764
Amortization of UAAL*	780,202	1,188,521	1,188,521
Annual Required Contribution	\$ 2,321,354	\$ 3,022,285	\$ 3,022,285

**Determination of Net OPEB Obligation:**

Annual Required Contribution	\$ 2,321,354	\$ 3,022,285	\$ 3,022,285
Interest on Prior Year Net OPEB Obligation	93,887	188,254	310,836
Adjustment to ARC	71,944	(159,282)	(272,098)
Annual OPEB Cost	2,487,185	3,051,257	3,061,024
Contributions Made	(246,254)	(327,205)	(322,635)
Increase in Net OPEB Obligation	\$ 2,240,931	\$ 2,724,052	\$ 2,738,389

**Net OPEB Obligation - End Of Year:**

Net OPEB Obligation - Beginning of Year	\$ 2,086,379	\$ 4,327,310	\$ 6,907,474
Prior Period Actuarial Correction to 2008 ARC	-	(143,888)	-
Adjusted Net OPEB Obligation - Beginning of Year	2,086,379	4,183,422	6,907,474
Increase in Net OPEB Obligation	2,240,931	2,724,052	2,738,389
Net OPEB Obligation-end of year	\$ 4,327,310	\$ 6,907,474	\$ 9,645,863

\*Unfunded Actuarial Accrued Liability (UAAL)

The County's annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 2,343,297	\$ 246,254	10.51%	\$ 4,183,422	\$ 76,013,118	30.79%
12/31/2009	\$ 3,051,257	\$ 327,205	10.72%	\$ 6,907,474	\$ 78,114,300	39.96%
12/31/2010	\$ 3,061,024	\$ 322,635	10.54%	\$ 9,645,863	\$ 76,838,632	40.62%

\* Note 12/31/2008 calculations are reported after Actuarial correction

**6. Funded Status and Funding Progress**

As of December 31, 2010, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$31.2 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$31.2 million.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the



funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

#### 7. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation (most recent one done), the Projected Unit Credit actuarial cost method was used. The actuarial assumptions used included a 4.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. The healthcare plan actuarial valuation included healthcare cost inflation trend rates of 8.3% in 2010, 7.5% in 2011, 6.7% in 2012, and 6.3% in 2013. Additionally, the valuation included trend rates of 5.9% in 2020 and 5.6% in 2030.

The UAAL is amortized as a level percentage of expected payroll over a 30 year period beginning December 31, 2007. It is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at December 31, 2010 was 27 years.

#### **NOTE XIII – JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS**

Thurston County participates in inter-local agreements with four other Thurston County governmental units or agencies. The County participates inter-locally with Animal Control Services, the Inter-local Drug Control Unit, Olympic Region Clean Air Agency (ORCAA), and the Thurston Regional Planning Council (TRPC).

Animal Control Services is a joint venture governed by a six-member board of which Thurston County is a member. Each member's contribution is based on a formula factoring population and basic service components. Thurston County's cost is based on their computed share of services in compliance with the interlocal agreement with Animal Control Services. The County contributed \$509,159 as its share of operations in 2010 which 54.45% of the total contributions from participating agencies. The County's equity interest at December 31, 2010 is therefore \$1,869,555. The financial health of this joint venture remains strong mainly due to a steady stream of revenue received from the Cities of Olympia, Lacey, and Tumwater, and Thurston County. Net Assets for Animal Control at the end of 2010 totaled \$3,433,527. Complete financial statements for Animal Control can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

Thurston County, Washington 2010

<b>Animal Control</b>	
Total Assets	\$ 3,687,319
Liabilities	(253,792)
Net Assets	\$ 3,433,527
Net Assets - 1/1	
Revenues	\$ 1,483,657
Expenses	1,485,221
Net Income	\$ (1,564)
Beginning Net Assets - Restated	\$ 3,435,091
Net Income (Loss)	(1,564)
Ending Net Assets - 12/31	\$ 3,433,527

The Inter-local Drug Control Unit is a joint venture governed by a five member executive committee of which Thurston County is a member. Thurston County did not have a computable equity interest in the Inter-local Drug Control Unit in 2010. The Inter-local Drug Control Unit is funded by grants and seizures of drug funds. Financial information on the Inter-local Drug Control Unit can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

Olympic Region Clean Air Agency is a jointly-governed organization governed by a nine member board of which Thurston County is a member. Thurston County contributed \$62,822 as its share of operations in 2010. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2010. Complete financial statements for ORCAA can be obtained from its administrative office at 2940 B Limited Lane NW, Olympia, Washington 98502.

Thurston Regional Planning Council is a jointly-governed organization governed by a fifteen-member council of which Thurston County is a member. Thurston County contributed \$205,275 as its share of operations in 2010 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2010. Complete financial statements for TRPC can be obtained from its administrative office at 2424 Heritage Court SE Suite A, Olympia, Washington 98502.

The Chehalis River Flood Control Authority is a jointly-governed organization governed by an eleven-member body of which Thurston County is a member. This Authority was formed for the purpose of study, analysis, and implementation of flood control projects to protect the Chehalis River Basin. Thurston County has neither contributed to operations, nor has an equity interest in this Authority. More information regarding this Authority can be obtained from the Lewis County Community Development Department, at 2025 NE Kresky Ave., Chehalis, Washington 98532.

Thurston County and the City of Lacey agreed to purchase, develop and jointly share a portion of the costs of the Regional Athletic Complex (RAC) in 1998. The County subsequently paid \$1,625,000 to the City of Lacey using real estate excise tax proceeds per an agreement transferring the County's share of ownership to the City of Lacey on June 29, 2010.

Additionally, per this agreement, the County paid \$200,000 to the City of Lacey in conservation futures funds on March 29, 2011 for land acquisition in the Woodland Creek Corridor. Complete financial statements for the RAC can be obtained from its administrative office at the City of Lacey, Post Office Box 3400, Lacey, Washington 98509-3400.

#### **NOTE XIV – CLOSURE AND POST CLOSURE CARE COSTS**

State and federal laws and regulations require Thurston County to perform landfill maintenance and monitoring activities for thirty years after closure. An expense provision and related liability for these activities was recognized in the Solid Waste Enterprise Fund before the landfill was closed. This expense provision was based on estimated future post closure care costs after closure.

Cell No. 1, the last landfill cell used for waste disposal at the Hawke's Prairie landfill site, was closed on April 30, 2000. The County's long haul of waste to a regional landfill in Klickitat County was initiated on May 1, 2000. Post closure costs were funded with operating fees through December 31, 2002. The post closure care period was subsequently initiated on January 1, 2003. The estimated remaining liability for post closure care costs is \$18,745,867 on December 31, 2010.

Thurston County, as required by state and federal laws and regulations, made annual contributions to finance post closure care. The County is in compliance with these requirements, and at December 31, 2010, cash and pooled investments of \$18,101,651 are held for these purposes. An additional \$431,866 is contractually restricted for equipment replacement resulting in \$18,533,517 in restricted cash and pooled investments on the balance sheet.

The post closure care cost was based on the amount that would have been paid if all equipment, facilities and services required to monitor and maintain the landfill site were acquired as of December 31, 2000. However, the actual cost of post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on the cash and investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that may arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

#### **NOTE XV – OTHER DISCLOSURES**

##### **A. Prior Period Adjustments**

The activity and operations of the Enterprise Administration and Engineering internal service funds were ceased at the end of 2009 and the funds themselves were eliminated in January of 2011. These two funds accounted for the administrative, payroll and engineering costs for the Water and Waste Management Department in prior reporting periods. The employees that were funded out of these two funds were transferred to other funds with the absorption of the Water and Waste Management Department into the Public Works Department beginning in 2010. The liabilities that were previously accrued for compensated absences and other post employment benefits were shifted to these other funds within Public Works. Thus, the previously recorded year end liability of \$781,663 to these two terminated funds was eliminated with a prior period adjustment.

B. Fund Changes

The following funds were abolished in the prior year and are not reported in the County's 2010 financial statements:

- Roads Development Review
- Regional Athletic Complex

The following funds were abolished and closed out, or partially closed out, in the 2010 financial statements:

- G.O. Bond -1998 Debt Service Fund
- Enterprise Administration internal service fund
- Enterprise Engineering internal service fund

C. Contingencies

Thurston County has other claims and lawsuits pending at this time that could be a liability to the County over the next few years. The amount of these other claims cannot be reasonably estimated.

D. Subsequent Events

Beginning in January 2011, two long-time county departments broke off from the county to form their own non-profit agencies. Through the 2010 reporting year, these two department's activities were accounted for by the county in separate special revenue funds and all 12 months of activity have been reported in this report. One department, titled Communications in this report, has changed its name to TCOMM911 as of January 2011. They are a countywide Enhanced 9-1-1 Answering Point and Dispatch Center for all Public Safety Police, Fire and Medic One departments serving all of the cities, towns and unincorporated areas within Thurston County. The other department, titled Workforce Development in this report, is now titled Pacific Mountain Workforce Consortium. Their main responsibility is to carry out the activities authorized by the Workforce Investment Act of 1998.

**Required Supplementary Information  
Retiree Medical Benefits  
Schedule of Funding Progress**

**LEOFF 1 Retiree Medical Benefits**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 6,128,459	\$ 6,128,459	0%	\$ 226,117	2710.30%
12/31/2009	\$ -	\$ 5,942,924	\$ 5,942,924	0%	\$ 233,651	2543.50%
12/31/2010	\$ -	\$ 5,689,718	\$ 5,689,718	0%	\$ 235,757	2413.39%

**PEBB Retiree Medical Benefits**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 23,406,060	\$ 23,406,060	0%	\$ 76,013,118	30.79%
12/31/2009	\$ -	\$ 31,215,533	\$ 31,215,533	0%	\$ 78,114,300	39.96%
12/31/2010	\$ -	\$ 31,215,533	\$ 31,215,533	0%	\$ 76,838,632	40.62%

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Department of Agriculture/ Superintendent of Public Instruction	School Breakfast Program	10.553	34-111-9757	\$ 19,859		\$ 19,859	3
Department of Agriculture/ Superintendent of Public Instruction	ARRA-National School Lunch Program	10.555	N/A	\$ 4,670			3,47
			34-111-9757	\$ 30,267			
			Subtotal	\$ 34,937		\$ 34,937	
Department of Agriculture/ WA State Treasurer	Schools and Roads Grants to States	10.665	N/A	\$ 1,667		\$ 1,667	4
Department of Defense/WA State Treasurer	Military Forest Yield	12.999	N/A	\$ 46,383		\$ 46,383	4,6
Department of Housing & Urban Development/ Department of Commerce	Community Development Block Grant	14.228	07-84007-022	\$ 30,000			
			10-64100-009	\$ 122,341			
			Subtotal	\$ 152,341		\$ 152,341	
Department of Housing & Urban Development	Home Investment Partnerships Program	14.239	M10-DC-53-0207		\$ 10,089		
			M09-DC-53-0207		\$ 221,337		
			M08-DC-53-0207		\$ 18,280		
			M07-DC-53-0207		\$ 57,375		
			Subtotal		\$ 307,081	\$ 307,081	
Department of Interior/WA St Fish & Wildlife Service	Fish & Wildlife Management Assistance	15.608	13320-8-J032	\$ 9,455		\$ 9,455	
Department of Interior/WA St Fish & Wildlife Service	Endangered Species Conservation Recovery Implementation Funds	15.657	13410AJ009	\$ 64,018		\$ 64,018	5
Office of National Drug Control Policy/Educational Service District 105 Office of National Drug Control Policy/WA State Patrol	High Intensity Drug Trafficking Area	16.000	9008000089 & 9009000070	\$ 30,693			6
	Domestic Cannabis Eradication/		C100902FED	\$ 4,660			
			Subtotal	\$ 35,353		\$ 35,353	
Department of Justice/ Department of Social and Health Services	Juvenile Accountability Block Grants	16.523	06-63-98464	\$ 18,000		\$ 18,000	
Department of Justice/ Seattle Police Department	Missing Children's Assistance	16.543	FY09 ICAC	\$ 4,182		\$ 4,182	
Department of Justice/ WA Department of Commerce	Crime Victim Assistance	16.575	S10-31119-031	\$ 77,185			
			S11-31119-037	\$ 87,640			
			Subtotal	\$ 164,825		\$ 164,825	

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Department of Justice/ WA Department of Commerce	Violence Against Women Formula Grants	16.588	2010-WF-AX-0021	\$ 4,002			7
	Violence Against Women Formula Grants		F09-31103-027	\$ 8,573			
	Violence Against Women Formula Grants		F09-31103-026	\$ 11,348			
	ARRA - Violence Against Women Formula Grants		ARRA F09-31701-202	\$ 60,535			
	Violence Against Women Formula Grants		F10-31103-026	\$ 4,104			
	ARRA - Violence Against Women Formula Grants		ARRA IAA09650	\$ 26,505			
	Subtotal		\$ 115,067	\$ 115,067			
Department of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2010-WE-AX-0011		\$ 22,999	\$ 22,999	
Department of Justice/WA Department of Commerce	Residential Substance Abuse Treatment for State Prisoners	16.593	F09-34022-002	\$ 82,302		\$ 82,302	
Department of Justice	State Criminal Alien Assistance Program	16.606	2010-AP-BX-0704		\$ 89,923	\$ 89,923	
Department of Justice/WA Association of Sheriffs and Police Chiefs	ARRA-Public Safety Partnership and Community Policing Grants	16.710	WSMI09104	\$ 11,493		\$ 11,493	7
Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0481		\$ 3,839		
Department of Justice/WA Department of Commerce	2009-DJ-BX-0153			\$ 256			
	M09-34021-010		\$ 49,768				
	Subtotal			\$ 49,768	\$ 4,095	\$ 53,863	
Department of Justice/WA Department of Commerce	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	F09-34024-0	\$ 26,405		\$ 26,405	
Department of Justice/WA Department of Commerce	ARRA-Edward Byrne Memorial Justice Assistance Grant Program/Grants to	16.803	F09-34721-415	\$ 105,644	\$ 88,334	\$ 271,763	7
			2009-SB-B9-1395				
			F09-34721-053	\$ 77,785			
			Subtotal	\$ 183,429	\$ 88,334		

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Department of Labor/WA State Employment Security Division	WIA Adult Program	17.258	6102-7629-15	\$ 3,859			7
	WIA Adult Program		6102-7628-09	\$ 2,023			
	WIA Adult Program		6102-4668-02	\$ 120,061			
	WIA Adult Program		6102-7628-12	\$ 160,018			
	ARRA - WIA Adult Program		ARRA 6102-4618	\$ 364,643			
	WIA Adult Program		6102-7109	\$ 563,869			7
	ARRA - WIA Adult Program		ARRA 6102-4638	\$ 284,615			
	WIA Adult Program		6102-7300	\$ 275,478			
	WIA Adult Program		6102-7100	\$ 491,980			
	WIA Adult Program		6102-7309	\$ 237,347			
Department of Labor/ Northwest Workforce Development Council	WIA Adult Program		TC 09-01	\$ 13,893			
			Subtotal	\$ 2,517,786		\$ 2,517,786	
Department of Labor/WA State Employment Security Division	ARRA - WIA Youth Activities	17.259	ARRA 6102-4608	\$ 438,122			7
	WIA Youth Activities		6102-7009	\$ 724,865			
	WIA Youth Activities		6102-7000	\$ 580,532			
			Subtotal	\$ 1,743,519		\$ 1,743,519	
Department of Labor/WA State Employment Security Division	WIA Dislocated Workers	17.260	6102-7508-16	\$ 654,588			7
	WIA Dislocated Workers		6102-7509-11	\$ 41,183			
	WIA Dislocated Workers		6102-7727-02	\$ 240			
	ARRA - WIA Dislocated Workers		ARRA 6102-4628	\$ 855,208			
	WIA Dislocated Workers		6102-7200	\$ 601,083			
	WIA Dislocated Workers		6102-7209	\$ 586,279			
			Subtotal	\$ 2,738,581		\$ 2,738,581	
Department of Labor/ Workforce Training & Education Coordinating Board	WIA Pilots, Demonstrations, and Research Projects	17.261	IAA-766-10	\$ 21,422			
			IAA-768-10	\$ 20,764			
			EA-18587-09-60-A-53		\$ 98,936		
			Subtotal	\$ 42,186	\$ 98,936	\$ 141,122	
Department of Labor/WA Employment Security Division	H-1B Job Training Grants	17.268	6102-7897-02	\$ 1,509,755		\$ 1,509,755	

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.



THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Department of Transportation/WA State Department of Transportation	Highway Planning & Construction	20.205					
	ARRA - Prairie Creek Bridge/ Old 99 Turn Lane		ARRA-A341-(004)	\$ 1,330,000			7
	ARRA - Steilacoom Rd Pedestrian Enhancements		ARRA-5394(003)	\$ 1,892			7
	93rd Ave/Littlerock Rd.		STPH-C348(001)	\$ 210,000			
	Old 99/McCorkle		STPH-F343(003)	\$ 23,444			
	Bridge the Gap Phase II		STPE-2034(063)	\$ 296,273			
	Bridge the Gap Phase III		HPP-2034(065)	\$ 6,124			
	Rumble Strip/ Guideposts		HSIP-000S(235)	\$ 17,000			
	Run Off Road Safety Improvements		HRRR-000S(239)	\$ 19,916			
	Yelm Highway Capacity Project		STPUS-5252(009)	\$ 325,203			
	Subtotal			\$ 2,229,852		\$ 2,229,852	
Department of Transportation/WA Association of Sheriffs and Police Chiefs	State and Community Highway Safety	20.600	N/A	\$ 11,191			4
Department of Transportation/WA Traffic Safety Commission			N/A	\$ 127,095			4
			Subtotal	\$ 138,286		\$ 138,286	
Department of Transportation/WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	N/A	\$ 1,897		\$ 1,897	4
Environmental Protection Agency	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clear Air Act	66.034	IAQ 01-09		\$ 15,661	\$ 15,661	

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-00J12401		\$ 79,852	\$ 79,852	
Environmental Protection Agency	Targeted Watersheds Grants	66.439	WS-96073601-1		\$ 210,975	\$ 210,975	5
Environmental Protection Agency/WA Department of Health	Beach Monitoring & Notification Program Implementation Grants	66.472	C14967	\$ 20,207		\$ 20,207	
Department of Energy	ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002025		\$ 196,533	\$ 196,533	5, 7
Department of Education/ Superintendent of Public Instruction	Twenty-First Century Community Learning Centers	84.287	991906	\$ 54,869		\$ 54,869	
Department of Education/ Department of Social and Health Services	ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States	84.390	0963-70344	\$ 194,639		\$ 194,639	7
US Election Assistance Commission/Secretary of State	Help America Vote Act-Requirements Payments	90.401	G-2858-4 G-2858-2 G-2858-5 Subtotal	\$ 78,800 \$ 3,126 \$ 9,349 \$ 91,275		\$ 91,275	
Department of Health and Human Services/WA Department of Health	Public Health Emergency Preparedness	93.069	C14967	\$ 231,952		\$ 231,952	
Department of Health & Human Services	Advancing System Improvements to	93.088	ASTWH070007		\$ 166,943	\$ 166,943	
Department of Health and Human Services/Department of Social & Health Services	Projects for Assistance in Transition from Homelessness (PATH)	93.150	0969-73243	\$ 57,081		\$ 57,081	

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Department of Health and Human Services/WA Department Health	Immunization Grants	93.268	C14967	\$ 58,341		\$ 58,341	
Department of Health and Human Services/NACCHO	Centers for Disease Control & Prevention Investigations and Technical Assistance	93.283	200-082802 2010-091608	\$ 41,683		\$ 41,683	
Department of Health and Human Services	National Community Centers of Excellence in Women's Health	93.290	CCEWH101010-01-00		\$ 23,491	\$ 23,491	
Department of Health and Human Services/WA Department of Commerce	Temporary Assistance for Needy Families  ARRA - Temporary Assistance for Needy Families	93.558	S10-32114-010 S11-32114-010 S10-32114-010 S11-32114-010 ARRA S10-32114-010 Subtotal	\$ 149,851 \$ 128,565 \$ 403,797 \$ 523,811 \$ 74,061 \$ 1,280,085		\$ 1,280,085	7
Department of Health and Human Services/Department of Social & Health Services	Child Support Enforcement	93.563	2110-80383  0763-11360 Subtotal	\$ 787,492  \$ 147,960 \$ 935,452		\$ 935,452	5
Department of Health and Human Services/Department of Social & Health Services	Child Support Enforcement Research	93.564	1063-13189	\$ 48,415		\$ 48,415	
Department of Health and Human Services/Department of Social & Health Services	Child Care and Development Block Grant	93.575	C14967	\$ 18,755		\$ 18,755	
Department of Health and Human Services/ Office of the Secretary of State	Voting Access for Individuals with Disabilities Grants to States	93.617	G4279 EAID	\$ 24,960		\$ 24,960	
Department of Health and Human Services/WA Department of Health	ARRA-Immunization	93.712	C14967	\$ 26,596		\$ 26,596	7
Department of Health and Human Services/WA Department of Health	ARRA-Prevention & Wellness-State, Territories and Pacific Islands	93.723	C14967	\$ 14,300		\$ 14,300	7

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Department of Health and Human Services/Department of Social & Health Services	Medical Assistance Program	93.778	0563-75757	\$ 237,372		\$ 237,372	
Department of Health and Human Services/WA Department of Health	National Bioterrorism Hospital Preparedness Program	93.889	C14967	\$ 1,249		\$ 1,249	
Department of Health and Human Services/Clark County	HIV Prevention Activities Health Department Based	93.940	C14967	\$ 21,785		\$ 21,785	
Department of Health and Human Services/Department of Social & Health Services	Block Grant for Community Mental Health Services	93.958	1069-12026	\$ 235,171		\$ 235,171	
Department of Health and Human Services/Department of Social & Health Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0963-68068	\$ 333,639		\$ 333,639	
Department of Health and Human Services/WA Department of Health	Maternal & Child Health Services Block Grant to States	93.994	C14967	\$ 169,733		\$ 169,733	
Department of Homeland Security/WA State Military Dept.	Interoperable Emergency Communications	97.001	E09-122	\$ 31,436		\$ 31,436	
Department of Homeland Security/WA State Patrol	Tactical interoperable Communications Plan	97.001	C100411FED	\$ 10,662		\$ 10,662	
Department of Homeland Security/WA State Parks &	Boating Safety Financial Assistance	97.012	LE 911-237	\$ 4,253			
			2009-70	\$ 15,244			
			Subtotal	\$ 19,497		\$ 19,497	
Department of Homeland Security/WA State Military Dept.	Disaster Grant Public Assistance (Presidentially Declared Disasters)	97.036	2008 Snow D09-328	\$ 100			
			2009 Flood D09-119	\$ 32,550			
			Oyster Bay Flood ER-0801(125)	\$ 182,016			
			Prather Rd Flood 1734-DR-WA	\$ 11,259			
			Van Dyke Rd Flood 1734-DR-WA	\$ 13,636			
			Subtotal	\$ 239,561		\$ 239,561	

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

THURSTON COUNTY, WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	From Pass-Through Awards	From Direct Awards	Total	Foot-note Ref.
Department of Homeland Security/WA State Military Dept.	Emergency Management Performance Grants	97.042	E09-271	\$ 136,965			
			E10-294	\$ 118,632			
			Subtotal	\$ 255,597		\$ 255,597	
Department of Homeland Security/WA State Military Dept.	Pre-Disaster Mitigation	97.047	Independence Rd E07-125	\$ 100,000		\$ 100,000	
Department of Homeland Security/WA State Military Dept.	Interoperable Emergency Communications	97.055	E11-063	\$ 19,449		\$ 19,449	
Department of Homeland Security/WA State Military Dept.	Homeland Security Grant Program	97.067	E09-193	\$ 398,976			
			E10-248	\$ 106,338			
			OFM K457	\$ 14,485			
			OFM K693	\$ 5,051			
			E10-294	\$ 118,632			
Department of Homeland Security/Seattle Police Department			019EM-09-004	\$ 124,219			
			019-EM-09-024	\$ 87,449			
			019-EM-09-009	\$ 8,064			
			019ES-10-040	\$ 49,657			
			Subtotal	\$ 912,871		\$ 912,871	
Total Federal Awards Expended				\$ 17,627,979	\$ 1,304,823	\$ 18,932,803	

The accompanying notes to the Schedule of Expenditure of Federal Awards are an integral part of this Schedule.

**THURSTON COUNTY**  
**Notes to the Schedule of Expenditures of**  
**Federal, State, and Local Awards**  
**For the Year Ended December 31, 2010**

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**NOTE 1 – BASIS OF ACCOUNTING**

The Schedule of Financial Assistance is prepared on the same basis of accounting as Thurston County's financial statements. Thurston County uses the accrual basis of accounting for all funds except the government types and agency funds, which use the modified accrual basis of accounting.

**NOTE 2 – PROGRAM COSTS**

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

**NOTE 3 – NONCASH AWARDS**

The amount of food commodities reported on this schedule is the value of the commodities distributed by the County during the current year and priced as prescribed by the Office of the Superintendent of Public Instruction.

**NOTE 4 – NOT AVAILABLE (N/A)**

The County was unable to obtain other identification numbers.

**NOTE 5 – INDIRECT COST RATE**

Expenditures include indirect cost recovery. The County used the indirect cost rate allowed per grant agreement.

**NOTE 6 – CFDA NUMBER**

Per contractual agreement with Northwest HIDTA Drug Court Development Initiative, ONDCP does not use CFDA numbers.

In addition, the Department of Defense does not use a CFDA number for Military Forest Yield payments.

**NOTE 7 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009**

Expenditures for this program were funded by ARRA.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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