

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

Thurston County

Audit Period
January 1, 2011 through December 31, 2011

Report No. 1008292

Issue Date
September 17, 2012



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 17, 2012

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, 2011 through December 31, 2011

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

We issued an 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>
14.239	Home Investment Partnerships Program
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program (Recovery Act)
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act)
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.052	Emergency Operations Center

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$438,895.

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

Schedule of Audit Findings and Responses

Thurston County January 1, 2011 through December 31, 2011

1. The County should improve its internal controls over financial preparation to ensure accurate reporting.

Background

It is the responsibility of County management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. We identified deficiencies in internal controls that could adversely affect the County's ability to produce reliable financial statements.

Private developers dedicate capital assets to the County when they complete a project. The County did not record these dedicated assets from 2003 through 2010. In 2011, the County identified the lapse in its prior year reporting of the dedicated assets and recorded a \$19 million prior period adjustment to its financial statements.

Description of Condition

Our audit identified the following weaknesses in internal controls, that when taken together represent a significant deficiency:

- In 2011, the Public Works Department created a spreadsheet to support dedicated assets from 2003 to 2010. Our audit determined the spreadsheet supporting the prior period adjustment contained errors. Upon further review of the spreadsheet, County personnel revised the prior period adjustment reporting for dedicated assets to \$7.4 million or one percent of net assets.

In addition, the County's centralized review process was not adequate to ensure dedicated assets were accurately recorded and reported on its 2011 financial statements.

- The County did not fully implement Governmental Accounting Standards Board Statement (GASB) No. 54 in its 2011 financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by replacing reserved and unreserved fund balance classifications with five new categories (non-spendable, restricted, committed, assigned, and unassigned). The statement also updates the criteria a fund must meet in order to be reported as a special revenue fund. The County is responsible for supporting how it has reclassified its fund balances into the new categories and determining which funds to report as special revenue funds in compliance with GASB Statement No. 54. Although County personnel believed they had a clear understanding of GASB No. 54 requirements, they misunderstood the requirements.

Cause of Condition

County management has not designed adequate internal controls over its dedicated asset and GASB 54 reporting to ensure its reported financial information is accurate and complete.

Effect of Condition

We identified the following errors that resulted from these control deficiencies:

- Dedicated assets related to the prior period adjustment were misstated. The prior period adjustment originally reported at \$19 million dollars is actually valued at \$7.4 million.
- The County's implementation of GASB No. 54 did not properly address the requirement to review and evaluate restricted revenues. This resulted in:
 - A \$1.3 million understatement of general fund revenues.
 - A \$1.4 million understatement of general fund expenditures.
 - Incorrect classifications of fund balances between non-spendable, restricted, committed, assigned, and unassigned.

The County corrected the errors.

Recommendation

We recommend the County establish and follow the following internal controls:

- Procedures to ensure all of its departments properly record and report dedicated assets.
- A centralized, detailed review of all documentation provided by departments to ensure it supports accurate and complete recording and reporting of financial information by the County.
- Obtain sufficient guidance prior to using complex accounting standards, including GASB Statement No. 54, to ensure proper interpretation and reporting.

County's Response

Thurston County would like to thank the State Auditor's Office for its helpful comments and suggestions during the most recent audit.

In relation to the comments regarding GASB No. 54, this is the first year of this new, and very complex, multi-layered statement for classifying ending fund balances. County professional fiscal reporting personnel attended training classes on the subject and discussed potential sticking points with individuals within the profession. Many important questions were brought up leading to ambiguity in the interpretation of certain important elements of this standard. The county financial services division misinterpreted the

suggested categorical fund balance calculation to begin fiscal year 2011 and a requirement related to identification of restricted revenue sources. Upon discussion with the on-site auditors, these issues were immediately identified, the financial statements corrected, and supporting documentation updated for future use. Our financial ending fund balance policy and procedures have been updated to reflect the correct definitions and classification process.

In relation to the roads asset spreadsheet created by our Public Works Department, this spreadsheet contained hundreds of entries of changes to roads, and sections of roads, with both additions and deletions that encompassed a period of eight years. The County acknowledges there were immaterial errors in the spreadsheet, which, when corrected, revised the total beginning Governmental Net Asset figure by \$12 million. Once these errors were identified, the County immediately corrected the financial statements accordingly. Going forward, the county is in the process of implementing an internal control checklist for all future contributed capital adjustments. This checklist will detail the steps and assigned employees involved from identification of annual amounts, creation of supporting documentation, departmental review and approval of documentation, and county auditor finance review of documentation.

With the help of the State Auditor's Office and based on these corrections, the county is looking forward to receiving the Certificate of Achievement for Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA) for 2011. This would mark the sixth year in a row the County will have received this prestigious award and a recognition of maintaining a strong financial management of county resources.

Auditor's Remarks

We appreciate the County's commitment to resolving the issues noted. We will review the status during the next audit.

Applicable Laws and Regulations

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budget Accounting and Reporting System Manual - Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section C. Internal Control, states in part:

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to

provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

Government Auditing Standards, July 2007 Revision – Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control, which it defines as:

- a. Significant deficiency: a deficiency in internal control or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
- b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

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, 2011 through December 31, 2011

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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 26, 2012. During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

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 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit

Findings and Responses as Finding 1, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. We did not audit the County's response and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized flourish at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 26, 2012

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, 2011 through December 31, 2011

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, 2011. 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 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, 2011.

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

July 26, 2012

Independent Auditor's Report on Financial Statements

Thurston County January 1, 2011 through December 31, 2011

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, 2011, which collectively comprise the County's basic financial statements. 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Medic One, Public Health and Social Services, and Roads and Transportation funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 33 and Retiree Medical Benefits Schedule of Funding Progress on page 118 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 26, 2012

Financial Section

Thurston County January 1, 2011 through December 31, 2011

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2011

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2011

Statement of Activities – 2011

Balance Sheet – Governmental Funds – 2011

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets – 2011

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2011

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Medic One – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Public Health and Social Services – 2011

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Roads and Transportation – 2011

Statement of Net Assets – Proprietary Funds – 2011

Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets – 2011

Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2011

Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities – 2011

Statement of Cash Flows – Proprietary Funds – 2011

Statement of Fiduciary Net Assets – Fiduciary Funds – 2011

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2011

Notes to Financial Statements – 2011

REQUIRED SUPPLEMENTAL INFORMATION

Retiree Medical Benefits Schedule of Funding Progress – 2011

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2011

Notes to the Schedule of Expenditures of Federal Awards – 2011

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, 2011. 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

- In 2011, the financial health of Thurston County continued to strengthen for a second straight year. With most of the nation well into the fourth year of an economic downturn, Thurston County, due to certain demographic features of its citizenry as well as prudent planning and cautious spending by management, has performed better than expected over the past couple years.
- Thurston County's total assets (governmental and business-type, combined) exceeded its total liabilities at December 31, 2011 by \$565.1 million, compared to \$545.8 million in 2010. This represents an increase of \$19.3 million, or 3.5%. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- For 2011, total net assets of the County (governmental and business-type, combined) are comprised of the following:
 1. Investment in Capital assets, Net of Related Debt, of \$410 million. This includes property, infrastructure, and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Restricted net assets of \$119.4 million represent the portion restricted by constraints imposed from outside the County such as debt covenants, grants, and laws.
 3. Unrestricted net assets of \$35.7 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, 2011 of \$7.5 million, compared to \$10.6 at the end of 2010. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- Total fund balance for the General Fund was \$18.5 million at December 31, 2011 compared to \$15.1 million at the end of 2010. Of this balance, \$2.3 million is not available for appropriation as the county has reported this amount as Non-spendable. Total ending fund balance represents 23.5% of 2011 General Fund total expenditures compared to 21.2% in 2010. Details of factors contributing to this increase are discussed later within this discussion and analysis.
- The County's General Fund total revenues increased by \$5.8 million, or 7.7%, compared to 2010. Expenditures increased by \$7.4 million, or 10.4% 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 2011 expenditures were \$4.7 million, or 5.4%, under the final 2011 adopted budget level.
- The total capital assets increased by \$23.5 million over the prior year figure due mainly to two ongoing major construction projects and the addition of infrastructure contributed from private sources.
- The county's cash and pooled investments decreased by \$8.8 million over 2010 mainly due to the payment of capital project bond funds for the major construction projects.

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; 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) unemployment compensation and 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. Thus, they are included in this year's report. 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 like that 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

This section details budget information for the six special revenue funds combined with the General Fund due to the implementation of GASB 54.

Statistical Section

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 \$565.1 million at the end of 2011. This reflects a net increase of \$19.3 million, or 3.5%, from 2010. 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, \$410 million, or 72.6%, 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 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, \$119.4 million, or 21.1%, 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 \$35.7 million, or 6.3%, which is up from last year (\$19.6 million, or 3.6%) is unrestricted and represents the amount that may be used to meet the County's ongoing general purpose obligations.

Thurston County reported \$723.5 million of total assets as of December 31, 2011, compared to \$705.2 million for 2010. This represents an increase of \$18.3 million, or 2.6%. For 2011, \$506.6 million, or 70%, was reported as capital assets, which includes infrastructure and construction in progress. This represents a net increase over 2010 of \$23.5 million, or 4.9%. The majority of the net increase was due to 1) new assets being added as a result of two major construction projects and 2) additions to infrastructure for contributed capital from private sources and reductions for annexations. This latter increase was recorded as a prior period adjustment in the Statement of Activities as many of the contributions happened in prior years. The county became aware of these transactions during 2011. The remaining larger asset balances include \$175.3 million, or 24.2%, in cash and pooled investments (including restricted), and \$36.8 million, or 5.1%, in other current and long term receivables.

Thurston County's total liabilities remained very constant in 2011 compared to 2010. They decreased by just \$1.1 million, to \$158.4 million, at the end of 2011. Of this balance, general obligation bonds comprise 64.3% and accumulated landfill closure costs are 11.6%. The other significant liability is Other Post Employment Benefits (OPEB) payable of \$13.8 million, or 8.7% of total liabilities.

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 2011 compare with 2010:

Thurston County Net Assets

Account	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets	\$ 176,518,225	\$ 185,006,195	\$ 40,352,263	\$ 37,133,032	\$ 216,870,488	\$ 222,139,227
Capital Assets	467,543,212	443,798,950	39,073,893	39,306,961	506,617,105	483,105,911
Total Assets	644,061,437	628,805,145	79,426,156	76,439,993	723,487,593	705,245,138
Current Liabilities	15,378,921	13,981,366	2,152,724	2,454,944	17,531,645	16,436,310
Long Term Liabilities	112,402,724	113,690,368	28,497,719	29,355,190	140,900,443	143,045,558
Total Liabilities	127,781,645	127,671,734	30,650,443	31,810,134	158,432,088	159,481,868
Net Assets:						
Invested in Capital Assets, Net of Related Debt	379,700,249	369,474,630	30,267,496	29,716,183	409,967,745	399,190,813
Restricted	114,171,619	123,019,483	5,198,356	3,993,892	119,369,975	127,013,375
Unrestricted	22,407,924	8,639,298	13,309,861	10,919,784	35,717,785	19,559,082
Total Net Assets	\$ 516,279,792	\$ 501,133,411	\$ 48,775,713	\$ 44,629,859	\$ 565,055,505	\$ 545,763,270

Governmental activities – During 2011, the total net assets for governmental activities realized an increase of \$15.1 million compared to 2010. Much of this increase is due to the increase of capital assets described earlier. Of the \$516.3 million in total net assets, \$379.7 million was invested in capital assets less any related outstanding debt used to acquire those assets. This represents an increase of \$10.2 million from 2010. For 2011, \$114.2 million is recorded as restricted net assets for various purposes in almost every major service area in the County. This represents a decrease of \$8.8 million from the prior year and is the result of two events. First was the elimination of two special revenue funds at the end of 2010. The county's communications fund and the workforce development fund were closed due to these organizations breaking off from the county and forming their own non-profit organizations. All net assets remaining in these funds at the end of 2010 were transferred to the new non-profits. Second, the implementation of GASB 54 resulted in some internal classification changes to revenue sources driving certain balances in this statement. The final category of net assets, unrestricted, is \$22.4 million in 2011, an increase of \$13.8 million, or 159.4% over 2010. The change is due to the implementation of GASB 54 as described above. These funds are available for future spending.

Business-type activities – The balances in the Business-type activity accounts remained fairly consistent compared to prior year balances. The largest change was an increase of \$3.2 million in assets other than capital assets. This was mainly in the cash and pooled investments account of the Solid Waste fund due to cash collected for operating activities. Of the 2011 total net assets of \$48.8 million, \$30.3 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. The unrestricted net assets amount in 2011 of \$13.3 million represents an increase of \$2.4 million over 2010. This 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 2011, total County primary government revenues decreased by \$10.3 million, or 4.8%, compared to 2010. Total County expenses also decreased by \$6.7 million, or 3.4%, from 2011 to 2010. The reasons for the decrease of both revenues and expenses are directly related and due to the county eliminating both its communications and workforce development funds at year-end 2010. The main source of revenue for the communications fund was taxes and the workforce development fund was grants.

Thurston County's Statement of Activities

Account	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$ 26,317,553	\$ 26,111,579	\$ 26,996,503	\$ 28,110,764	\$ 53,314,056	\$ 54,222,343
Operating Grants & Contrib.	42,260,776	45,542,586	470,051	772,906	42,730,827	46,315,492
Capital Grants & Contrib.	16,381,902	5,097,806	541,632	45,114	16,923,534	5,142,920
General Revenues (Expenses):						
Taxes	87,428,011	103,779,418	-	-	87,428,011	103,779,418
Interest and Invest. Earnings	5,215,135	6,018,575	216,820	811,036	5,431,955	6,829,611
Other General Revenues	351,951	247,810	83,953	27,889	435,904	275,699
Total Revenues	177,955,328	186,797,774	28,308,959	29,767,709	206,264,287	216,565,483
Program Expenses: (Net)						
General Government	12,451,387	8,631,534			12,451,387	8,631,534
Culture and Recreation	1,796,682	4,312,994			1,796,682	4,312,994
Economic Environment	6,052,672	15,326,356			6,052,672	15,326,356
Health and Human Services	46,686,199	45,154,389			46,686,199	45,154,389
Utilities and Environment	1,813,192	1,284,194			1,813,192	1,284,194
Public Safety	68,543,177	69,864,003			68,543,177	69,864,003
Transportation	27,849,786	26,688,315			27,849,786	26,688,315
Interest	3,961,926	4,016,966			3,961,926	4,016,966
Solid Waste			16,257,083	16,675,874	16,257,083	16,675,874
Water			883,331	852,396	883,331	852,396
Sewer			1,883,527	1,914,258	1,883,527	1,914,258
Stormwater			2,755,342	3,146,000	2,755,342	3,146,000
Land Use & Permitting			3,519,591	3,322,395	3,519,591	3,322,395
Total Expenses	169,155,021	175,278,751	25,298,874	25,910,923	194,453,895	201,189,674
Excess (Deficiency) of Revenues over (under) Expenses before Transfers						
Transfers	8,800,307	11,519,023	3,010,085	3,856,786	11,810,392	15,375,809
Transfers	(1,305,394)	(950,340)	1,305,394	950,340	-	-
Change in Net Assets	7,494,913	10,568,683	4,315,479	4,807,126	11,810,392	15,375,809
Ending Net Assets January 1	501,133,411	489,783,065	44,629,859	39,822,733	545,763,270	529,605,798
Prior Period Adjustment	7,651,468	781,663	(169,625)	-	7,481,843	781,663
Restated Net Assets January 1	508,784,879	490,564,728	44,460,234	39,822,733	553,245,113	530,387,461
Ending Net Assets	\$ 516,279,792	\$ 501,133,411	\$ 48,775,713	\$ 44,629,859	\$ 565,055,505	\$ 545,763,270

In 2011, Governmental activities provided \$178 million in revenues (86.3% of total revenues), while business-type activities provided \$28.3 million (13.7% of total revenues). The 2011 ratio of total revenues between governmental and business-type was exactly consistent with 2010. The two largest governmental revenues are taxes at \$87.4 million, or 49.1%, of total governmental revenues and operating grants and contributions at \$42.3 million, or 23.8%, of total governmental revenues. The remaining 27.1% 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 2011 and 2010 was a decrease of \$8.8 million. The largest decrease in governmental revenues was taxes grants of \$16.4 million followed by operating grants of \$3.3 million. These decreases were partially offset by an increase of \$11.3 million in capital grants. The main reason for these decreases was described above with the elimination of the funds. The main reason for the increase of the capital grant was due to a \$4.8 million grant the Roads fund received from the Washington State Department of Transportation. Also contributing to the differences was a reclassification of certain amounts between categories for 2011 compared to 2010.

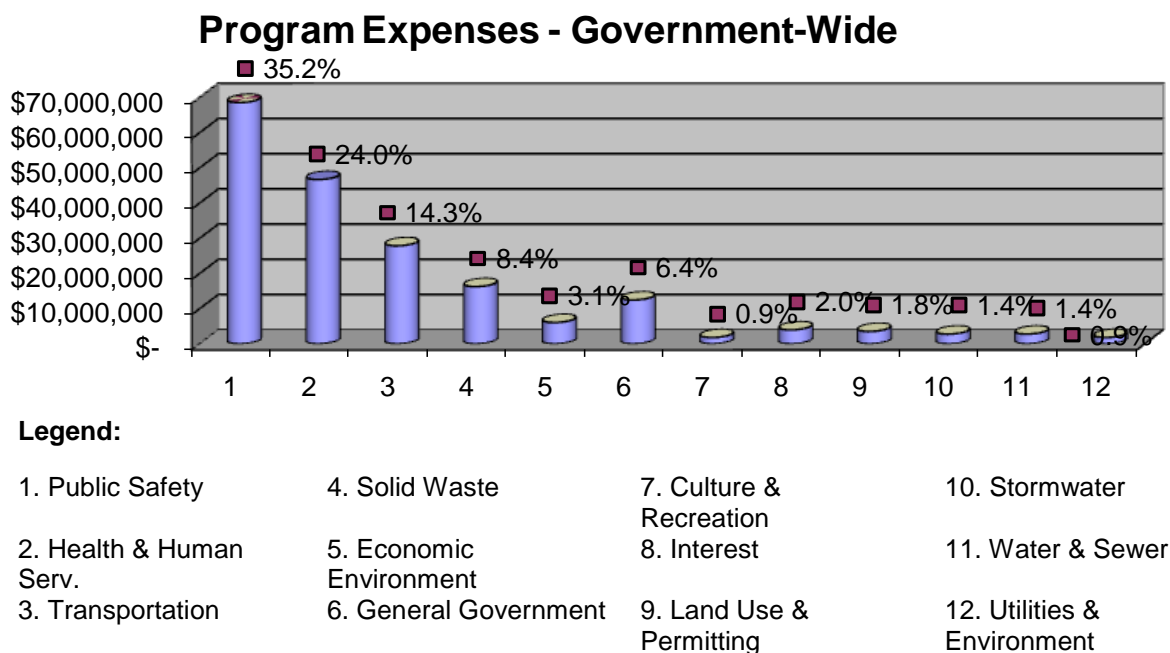
In 2011, charges for services accounted for \$27 million, or 95.4%, of total business-type revenues. Within this category, the Solid Waste fund revenues accounted for \$19 million, or 70.3%.

The County decreased total primary governmental expenses by \$6.7 million, to \$194.5 million, in 2011. The governmental activity decrease was mainly in Economic Environment which housed the Workforce Development fund up through the end of 2010. The governmental and business-type expense distribution in 2011 closely resembles the distribution from the prior year as \$169.2 million, or 87% was in governmental activities and \$25.3 million, or 13%, was in business-type activities. Public Safety, Health and Human Services, and Transportation programs comprise 84.6% of total governmental expenses.

In 2011, Solid Waste comprised \$16.3 million, or 64.3%, of the \$25.3 million in business-type expenses. This represents a modest decrease of \$0.4 million for Solid Waste and \$0.6 million for overall business-type expenses over 2010.

In 2011, the County reported a prior period adjustment of \$7,481,843. The majority of this adjustment was related to prior year contributed capital from private sources and road annexations that became known by the County during 2011.

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



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. Unassigned fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year.

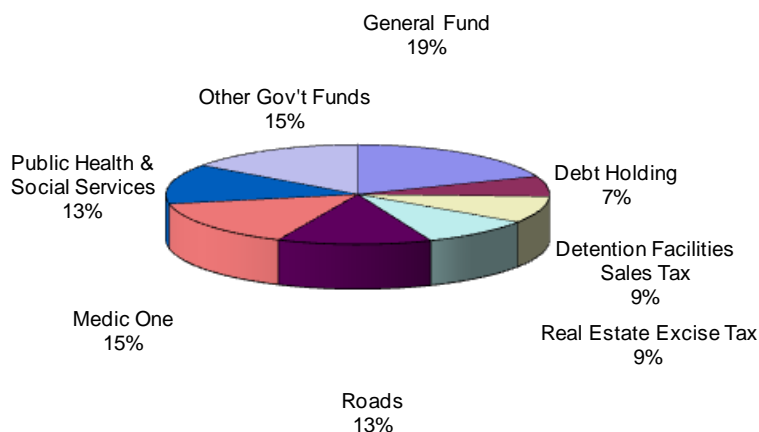
As of December 31, 2011, the County's governmental funds reported combined total ending fund balances of \$112.5 million. This represents a decrease of \$14.5 million, or 11.4%, compared with the prior year. This was due mainly to a decrease in the fund balance of the county's Debt Holding Fund, a major Capital Projects Fund. This fund is used to hold bond proceeds for subsequent spending on large construction projects. During 2011, this fund transferred \$17.6 million for capital outlay expenditures chiefly for the Tilley Master Plan project. Also contributing to this difference was a transfer of \$2.3 million for the elimination of the county's Communications fund. An increase in fund balance in the Public Health of \$6.7 million, due to transfers related to the elimination of the Workforce Development fund, round out the picture behind the decrease.

In 2011, total assets in the governmental funds decreased \$11.2 million compared to 2010. The main reason for this decrease is the Debt Holding fund activity described in the last paragraph. Since this is a holding fund, its main transactions are cash receipts in and transfers-out. Therefore, changes in assets closely track changes in fund balance. This decrease was partially offset by an increase in total assets in the Public Health fund of \$4.9 million, also due to the reason explained in the preceding paragraph.

In 2011, total liabilities for total governmental funds increased by \$3.4 million over 2010 levels. The increase was primarily the result of one-time transfer-out accruals at year end 2011, recorded as Due To Other Funds, in both the Debt Holding and Real Estate Excise Tax (REET) funds, totaling \$2.2 million. Transfers out from the Debt Holding fund were for the Tilley Master Plan project and the majority of the transfers-out in the REET fund went to various other smaller construction projects taking place throughout the county and bond payments. All other liabilities remained fairly constant compared to 2010.

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

Total Assets - Governmental Funds

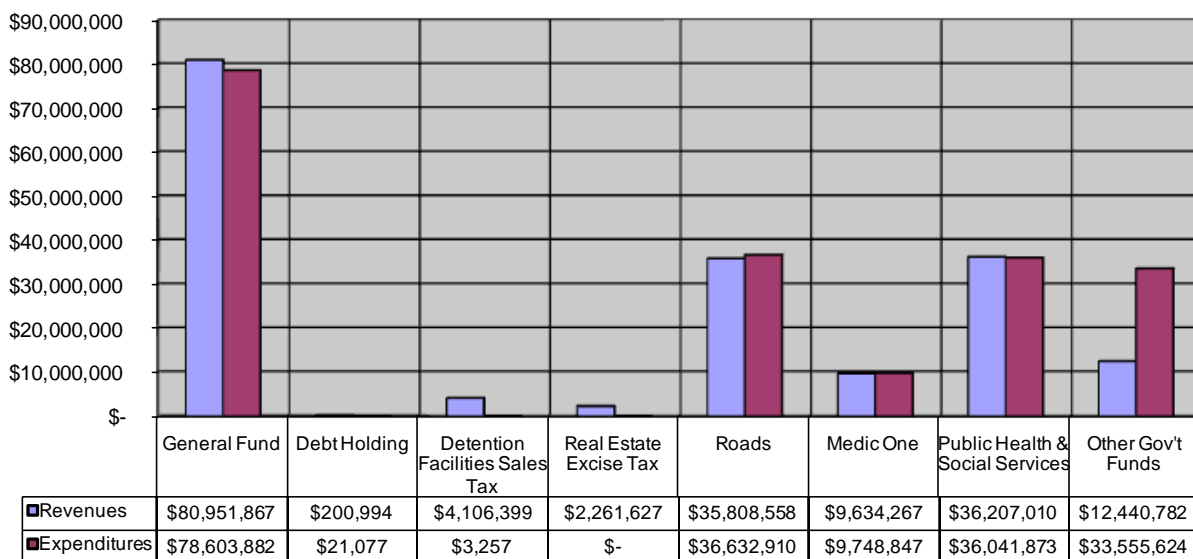


Governmental Fund revenues in 2011 were lower than 2010 levels by \$7.5 million, or 4%. The decrease was primarily due to reasons previously stated, specifically the elimination of the Workforce Development Fund and the Communications fund. The Workforce Development fund was funded through operating grants and had revenues of \$14.3 million in 2010. The Communications fund was funded via taxes and had revenues of \$6.3 million in 2010. Offsetting these decreases were revenue increases of \$5.8 million in the General Fund, \$5.1 million in the Roads fund, \$4.1 million in the Public Health and Social Services fund. In the General Fund, the two main drivers were larger receipt of grant revenue and the consolidation of previously reported non-major special revenue funds due to terminology changes related to the implementation of GASB 54. Increased receipts of grant revenue drove the increases in the Roads and Public Health funds.

Governmental expenditures in 2011 were higher than 2010 by \$3.1 million, or 1.6%. For the most part, the larger increases in expenditures offset the larger decreases in expenditures for the various changes in operations explained in the preceding paragraphs. However, after eliminating the affects of these changes, most expenditure functions experienced slight increases due to normal inflationary reasons such as a 2.7% cost of living adjustment (COLA) and medical insurance increases.

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 2011, the General Fund, Public Health and Social Services Fund and Roads Fund accounted for 84.2% of total revenues and 77.7% of total expenditures. The percentage difference between revenues and expenditures can be explained by \$16.4 million in capital outlay expenditures reported in the Other Governmental Funds. This is mainly due to expenditures on the Tilley Master Plan project.

For 2011, (as well as 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 2011:

The **General Fund** is the chief operating fund of the County. The General Fund's total ending fund balance was \$18.5 million at the end of 2011, compared to \$15.1 million at the end of 2010. Total Unassigned fund balance was \$16.1 million. Due to the implementation of GASB 54, this balance was not reported in 2010. General Fund total assets were \$25.3 million and total liabilities were \$6.8 million at the end of 2011. Assets increased by 18% whereas liabilities increased by 7.5% compared to 2010. The main increase in assets occurred in amounts due from other governments for grant receipts. The county's Juvenile, Prosecuting Attorney, and Emergency Management departments had large grant revenue accruals at year-end 2011.

General Fund revenues increased by \$5.8 million, or 7.7%, from 2010 to 2011. This increase was mainly due to the fact that in 2011 the county transferred its Emergency Management department into the General Fund from the Roads fund. In so doing, revenues from this department totaled \$2.4 million in 2011. Also contributing to the increase was the inclusion of

the previously reported non-major special revenue funds per GASB 54 as noted above. Overall expenditures in the General Fund for 2011, compared to 2010, increased by \$7.4 million, or 10.4%. Public Safety was the function that increased the most in 2011 as it increased by \$4.2 million. The county reports its Emergency Management expenditures as Public Safety so the transferring of this department to the General Fund is the main reason for difference.

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. Beginning in 2011, this fund was converted into a Capital Projects fund due to the implementation of GASB 54. In 2011 the fund receipted in only \$201,000 in cash inflows compared to receipts of \$28.1 million in debt issuance, premiums, and proceeds on advance refunding in 2010. This fund transferred out \$17.6 million to capital project funds in 2011 compared to \$9.4 transferred out in 2010. The increased construction activity during 2011 is the reason for this difference. As such, this fund's ending fund balance at the end of 2011 was at \$7.1 million, down from \$24.5 million the year prior.

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 2011 to 2010, this fund saw a decrease in total assets of \$1.7 million, or 13%. Liabilities, which are diminutive in this fund by design, increased by about \$39,000 in 2011 compared to 2010.

During 2011 revenues decreased by about \$307,000, to \$4.1 million from 2010. Expenditures and transfers out for continued bond payments remained very near the same level as 2010, at \$5.9 million. As a result, the net change in total fund balance was a decrease of \$1.8 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 outlays as stipulated in state statutes.

REET fund total assets (mainly cash and pooled investments) decreased by \$1.4 million, or 10% compared to 2010. Liabilities were small compared to assets and increased by \$504,000 over the prior year mainly due to year-end accruals for transfers to other county funds for various capital expenditures.

Revenues continue to be depressed compared to years past but were only down slightly by \$300,000, or 11.1%, in 2011 as compared to 2010. Revenues associated with this fund are directly tied to activity in the real-estate market and reflected a fifth consecutive year of reduced revenues. The fund had no expenditures in 2011. This represents a reduction difference of \$1.6 million compared to 2010, but that was because in 2010 the county made a one-time-transaction to the City of Lacey related to the operation of the Regional Athletic Complex.

The **Roads Fund** provides road maintenance and construction services to the citizens of Thurston County. In this fund, total assets increased by \$2.7 million in 2011 compared to 2010. The increase was primarily in the cash account and was due to the receipt of more grant and other intergovernmental revenues. Liabilities increased by \$2.6 million from 2010 to 2011 mainly due to increased construction expenditure activity and more year-end payable accruals.

Compared to 2010, revenues in the Roads fund increased by \$5.1 million, or 16.7%, and expenditures increased by \$6.4 million, or 21.1%. The increase in revenues was described above with the intergovernmental receipts. The increase in expenditures was mainly in the

Capital Outlay category described earlier with the increased construction activity from several new road projects, mainly the Yelm Highway project. Both transfers in and transfers out decreased in this fund due to reporting changes on the statements. The result was virtually no change in total fund balance in the Roads fund compared to 2010.

The **Medic One Fund** provides basic and advanced life support services to the citizens of Thurston County. In 2011, Medic One's total assets decreased by just slightly under \$208,000 compared to 2010. Liabilities also remained fairly constant decreasing at just under \$100,000.

Revenues in Medic One consist primarily of voter approved property taxes and they remained very constant in 2011 compared to 2010, at \$9.6 million, or a 1% decrease. Expenditures increased by \$1.2 million, or 13.7%. The main increase was more contract payments to local municipalities for professional services. There was virtually no change ending fund balance compared to 2010. The 2011 amount was \$18.8 million.

The **Public Health and Social Services Fund** provides social and health services to the citizens of Thurston County. Fund total assets increased in 2011 by \$4.9 million and total liabilities decreased by \$1.7 million compared to 2010. For assets, most of the increase was in the Cash and Pooled Investments account. The main reason for this is when the county finalized the closing of the Workforce Development fund at year end 2010, the Developmental Disabilities program, including its accumulated cash and fund balance, was transferred back to the Public Health fund. The decrease in Liabilities was mainly due to a one-time year end accrual of \$1.3 million recorded in 2010.

Revenues increased by \$4.1 million, or 12.6% compared to 2010. This is because the Public Health fund is now receipting in state grants for the Developmental Disabilities program. The same explanation holds for the \$3.8 million increase in expenditures. Intergovernmental payments (grants) are still the main source of revenues comprising 87.4% of total revenues in 2011. Health and Human Services related professional services were still the main expenditure category. Transfers In increased by \$4.5 million, explained by the Developmental Disabilities program, and there were no transfers out. As a result, total ending fund balance for 2011 increased by \$6.7 million, or 74.1%.

The **Other Governmental Funds**, is a major fund comprising all non-major Special Revenue, Capital Projects, and Debt Service funds of the County. During 2011 total assets in these funds decreased by \$3.5 million, or 14.9% compared to 2010. The liabilities in these funds in 2011 saw virtually no change over 2010. For the assets, the decrease has been explained above with the closing of the two asset-heavy funds, Communications and Workforce Development as well as the consolidation of the non-major special revenue funds into the General Fund per GASB 54. Revenues in the Other Governmental funds decreased by \$21.7 million and expenditures decreased by \$13.4 million in 2011 compared to prior year. Again, the main explanation for these decreases is the closing of the funds and GASB 54 consolidations. Transfers-in increased by \$9.5 million because of the increased movement of bond funds to pay for the construction projects. As a result, total fund balance in the Other Governmental Funds decreased by \$3.5 million, or 17.2%, down to \$16.6 million.

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				
			Other	Total
Assets	Solid	Grand	Enterprise	Enterprise
	Waste	Mound	Funds	Funds
Cash & Pooled Investments	\$ 9,778,709	\$ 1,617,304	\$ 4,026,834	\$ 15,422,847
Other Current Assets	3,139,205	879,345	758,829	4,777,379
Restricted Assets:				
Cash and Pooled Investments	-	194,507	125,243	319,750
Total Current Assets	12,917,914	2,691,156	4,910,906	20,519,976
Long-Term Assets:				
Receivables and Deff Chrgs.	114,912	1,786,613	909,221	2,810,746
Capital Assets	12,691,173	16,246,537	10,136,183	39,073,893
Restrict Assets: Cash and Pooled Investments	18,148,144	-	-	18,148,144
Total Long Term Assets	30,954,229	18,033,150	11,045,404	60,032,783
Total Assets	43,872,143	20,724,306	15,956,310	80,552,759
Liabilities				
Current Liabilities:				
Accounts Payable/ Due To's	2,129,368	92,332	596,268	2,817,968
Restricted Liabilities - Debt	-	800,000	81,018	881,018
Total Current Liabilities	2,129,368	892,332	677,286	3,698,986
Long-Term Liabilities:				
Limited G.O. Bonds Payable	-	7,073,207	672,050	7,745,257
Comp Abs & OPEB Payable	644,312	90,534	908,421	1,643,267
Intergov. Loans & Contracts Payable	-	72,311	718,000	790,311
Advances From Other Funds	-	-	168,907	168,907
Accumulated Landfill Closure Costs	18,318,884	-	-	18,318,884
Total Long Term Liabilities	18,963,196	7,236,052	2,467,378	28,666,626
Total Liabilities	21,092,564	8,128,384	3,144,664	32,365,612
Net Assets				
Invested in Capital Assets, net rel. debt	12,691,173	8,295,854	9,280,469	30,267,496
Restricted For:				
Postclosure, Net Of Related Liability	2,057,505	-	-	2,057,505
Debt Service	-	2,339,211	801,640	3,140,851
Unrestricted (Deficit)	8,030,901	1,960,857	2,729,537	12,721,295
Total Net Assets	\$ 22,779,579	\$ 12,595,922	\$ 12,811,646	\$ 48,187,147

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 80.2% of enterprise assets and 90.3% of enterprise liabilities.

Combined net assets for enterprise funds were \$48.2 million in 2011, of which \$35.4 million, or 73.4%, resided in the two major funds noted above. Of the total enterprise funds' net assets, \$30.3 million, or 62.8%, are capital assets net of related debt, whereas \$12.7 million, or 26.4%, are unrestricted. Unrestricted net assets increased by \$1.9 million from 2010. Total assets for all of the enterprise funds stayed constant compared to 2010 increasing by just \$766,000. Total Liabilities in the Enterprise funds were \$32.4 million which represented a decrease of \$2.9 million over 2010, mainly due to a one-time year end accrual at the end of 2010 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 2011.

Thurston County Washington				
Enterprise Funds Revenues and Expenses				
	Solid	Grand	Other	Total
	Waste	Mound	Enterprise	Enterprise
			Funds	Funds
Revenues:				
Charges for Services	\$ 18,980,963	\$ 1,297,004	\$ 7,457,139	\$ 27,735,106
Miscellaneous	32,601	44,889	6,463	83,953
Interest Revenue	3,777	134,516	78,527	216,820
Other Nonoperating Revenue	150,786	624,021	1,492,186	2,266,993
Total Revenues	19,168,127	2,100,430	9,034,315	30,302,872
Expenses:				
Salaries and Benefits	2,556,338	323,723	4,427,441	7,307,502
Other Supplies and Expenses	195,297	46,217	212,544	454,058
Contractual Services	1,350,420	223,073	744,745	2,318,238
Longhaul Contract	9,929,907	-	-	9,929,907
Interfund Services and Charges	1,272,591	144,051	2,261,610	3,678,252
Depreciation/Amortization	1,045,810	482,715	790,997	2,319,522
Misc. Nonoperating Expenses	485,123	1,095,280	266,422	1,846,825
Total Expenses	16,835,486	2,315,059	8,703,759	27,854,304
Income (Loss) before contrib. and trans.	2,332,641	(214,629)	330,556	2,448,568
Capital Contributions	2,532	90,248	11,305	104,085
Transfers In (Out)	137,586	689,837	477,971	1,305,394
Change in Net Assets	2,472,759	565,456	819,832	3,858,047
Net Assets as of January 1	20,306,820	11,753,917	12,437,988	44,498,725
Prior Period Adjustments	-	276,549	(446,174)	(169,625)
Net Assets as of January 1-Restated	20,306,820	12,030,466	11,991,814	44,329,100
Net Assets as of December 31	\$ 22,779,579	\$ 12,595,922	\$ 12,811,646	\$ 48,187,147

Total operating revenues from charges for services in 2011 are \$27.7 million and comprise 91.5% of total enterprise operating and non-operating revenues. Total charges for services for enterprise funds decreased \$1.1 million, or 3.9% over prior year. The reason for this is the county collected over 7,000 less tons of Waste at its Waste and Recovery center (Solid Waste fund) compared to 2010. 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 63.3% of total enterprise revenues and 60.4% of total enterprise expenses. In addition to the operating revenue difference noted above in this fund, there was also a decrease of approximately \$500,000 in interest revenue. This is because during the latter part of 2010, the BoCC passed a resolution that allows the General Fund to sweep interest revenue from this fund on a periodic basis.

The **Grand Mound Fund** has provided water and waste water services to the Grand Mound area since 1999. Grand Mound Fund revenues comprise 6.9% of total enterprise revenues and 8.3% of total enterprise expenses. In 2011 both revenues and expenses remained fairly constant over prior year resulting in an increase of total Net Assets by \$842,000, or 7.2%.

The County has usually funded utility capital construction and major replacement with general facility charges and assessments. Consequently, depreciation expense comprises 39.6% of the \$1.2 million Grand Mound Fund operating expenses in 2011. 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. The following table shows the changes between the original and final budget as of December 31, 2011. 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)
Revenues:			
Taxes	\$ 51,732,326	\$ 51,732,326	\$ -
Licenses & Permits	1,738,650	1,738,650	-
Intergovernmental	11,219,717	12,743,641	1,523,924
Charges for Services	11,387,270	11,444,485	57,215
Fines & Forfeitures	1,612,400	1,612,400	-
Miscellaneous	1,071,615	1,082,115	10,500
Total General Revenues	78,761,978	80,353,617	1,591,639
Other Financing Sources	3,926,851	4,053,333	126,482
Total Revenues	\$ 82,688,829	\$ 84,406,950	\$ 1,718,121
Expenditures by Department:			
Assessor's Office	3,372,687	3,372,687	-
Auditor's Office	5,023,586	4,733,204	290,382
Assigned Counsel	2,851,993	3,094,993	(243,000)
Civil Service	108,666	108,666	-
Clerk's Office	3,020,898	3,020,898	-
Commissioner's Office	1,586,759	1,702,466	(115,707)
Coroner's Office	982,286	989,486	(7,200)
Corrections	14,447,330	14,492,619	(45,289)
District Court	3,025,177	3,028,147	(2,970)
Emergency Management	3,239,196	3,239,196	-
Human Resources	1,481,455	1,481,455	-
Juvenile Probation	6,946,707	6,958,144	(11,437)
Non-Departmental	4,970,676	5,294,912	(324,236)
Planning	1,897,129	2,329,844	(432,715)
Prosecuting Attorney	7,933,095	8,156,432	(223,337)
State Examiner	115,000	115,000	-
Sheriff	14,593,030	14,754,039	(161,009)
Superior Court	5,048,939	5,557,161	(508,222)
Treasurer's Office	1,080,742	1,080,742	-
WSU Extension	451,702	462,052	(10,350)
General Fund Expenditures	82,177,053	83,972,143	(1,795,090)
Fair	593,616	593,616	-
Geo Data	1,007,971	1,078,304	(70,333)
LEOFF I Long Term Care	208,289	208,289	-
Prisoner Concession	383,949	383,949	-
Recreation Services	533,349	533,349	-
REET Technology	50,000	100,000	(50,000)
Reported General Fund Expenditures	84,954,227	86,869,650	(1,915,423)
Net Changes in Fund Balances	(2,265,398)	(2,462,700)	(197,302)
Fund Balances as of January 1	8,851,441	14,339,604	5,488,163
Prior Period Adjustments	-	-	-
Fund Balances as of January 1 - Restated	8,851,441	14,339,604	5,488,163
Fund Balances as of December 31	\$ 6,586,043	\$ 11,876,904	\$ 5,290,861

For revenues, the net increase in total budgeted revenues from the original budget to the final budget was \$1.7 million, or 2.1%. 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 \$1.9 million, or 2.3%. The most significant dollar value changes in budget expenditures occurred in Superior Court and the Planning Department. In both instances, it was because of increased grant expenditures.

The final budget ending fund balance was \$11.9 million, which represents an increase of \$5.3 million from the original budgeted ending fund balance. The difference is mainly due to a mid-year adjustment where the beginning fund balance is adjusted to prior year's ending actual fund balance once that amount is known. The net change (variance) in budgeted fund balance for the general fund was an expenditure increase of \$197,000, or 2.2% of January 1, 2011 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 2011. Note that transfers are included within the amounts reported for revenues and expenditures for each office and department. The final results for 2011 show actual total revenues (including other financing sources) at \$84.7 million, only \$305,000, or 0.4%, above the final budget. Actual expenditures were \$82.2 million, which is \$4.7 million or 5.4% under budget. When compared to the prior year, actual total revenues (including other financing sources) increased by \$5.5 million, or 6.9%, whereas actual expenditures (including transfers out) increased by \$9.4 million, or 13%. These differences are mainly due to the GASB 54 fund consolidations described above.

In regards to revenues, the two largest variances between budget and actual were in the Intergovernmental and Miscellaneous categories. The county received \$707,000 less intergovernmental receipts and \$409,000 more in the Miscellaneous category than it had planned.

The ending actual fund balance in the General Fund for 2011 was \$18.5 million. This was a \$2.5 million, or 15.9% increase from 2010. This difference is attributed various sources, but mainly it was increased receipts for charges for services in the Auditor's Office, continued prudent spending on behalf of county management, and the full implementation of GASB 54.

All offices/departments had a positive expenditure variance in 2011, meaning no departments overspent their final adopted budget.

Thurston County			
General Fund Revenues, Expenditures & Fund Balance			
	Final Budget	Actuals	Variance Pos (Neg)
Revenues:			
Taxes	\$ 51,732,326	\$ 51,923,117	\$ 190,791
Licenses & Permits	1,738,650	1,855,829	117,179
Intergovernmental	12,743,641	12,036,365	(707,276)
Charges for Services	11,444,485	11,721,435	276,950
Fines & Forfeitures	1,612,400	1,924,366	311,966
Miscellaneous	1,082,115	1,490,755	408,640
Total General Revenues	80,353,617	80,951,867	598,250
Total Other Financing Sources	4,053,333	3,759,741	(293,592)
Total Revenues	\$ 84,406,950	\$ 84,711,608	\$ 304,658
Expenditures by Department:			
Assessor's Office	3,372,687	3,325,223	47,464
Auditor's Office	4,733,204	4,364,891	368,313
Assigned Counsel	3,094,993	3,091,326	3,667
Civil Service	108,666	21,689	86,977
Clerk's Office	3,020,898	2,987,031	33,867
Commissioner's Office	1,702,466	1,625,203	77,263
Coroner's Office	989,486	951,422	38,064
Corrections	14,492,619	14,407,389	85,230
District Court	3,028,147	2,915,656	112,491
Emergency Management	3,239,196	3,124,306	114,890
Human Resources	1,481,455	1,222,135	259,320
Juvenile Probation	6,958,144	6,502,605	455,539
Non-Departmental	5,294,912	4,220,205	1,074,707
Planning	2,329,844	1,446,632	883,212
Prosecuting Attorney	8,156,432	8,070,139	86,293
State Examiner	115,000	106,194	8,806
Sheriff	14,754,039	14,630,277	123,762
Superior Court	5,557,161	5,090,562	466,599
Treasurer's Office	1,080,742	1,051,390	29,352
WSU Extension	462,052	443,090	18,962
General Fund Expenditures	83,972,143	79,597,365	4,374,778
Fair	593,616	564,503	29,113
Geo Data	1,078,304	1,040,142	38,162
LEOFF I Long Term Care	208,289	149,956	58,333
Prisoner Concession	383,949	354,285	29,664
Recreation Services	533,349	438,375	94,974
REET Technology	100,000	35,150	64,850
Reported General Fund Expenditures	86,869,650	82,179,776	4,689,874
Net Changes in Fund Balances	(2,462,700)	2,531,832	4,994,532
Fund Balances as of January 1	14,339,604	15,919,819	1,580,215
Prior Period Adjustments	-	-	-
Fund Balances as of January 1 - Restated	14,339,604	15,919,819	1,580,215
Fund Balances as of December 31	\$ 11,876,904	\$ 18,451,651	\$ 6,574,747

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure. Thurston County's total governmental and business-type capital asset balance was \$506.6 million at year end. Of this total, \$301.5 million (59.5%) are non-depreciable assets and \$205.1 million (40.5%) are depreciated. Capital assets comprise 70% of total assets. A capital asset breakdown is provided in Note VI within the financial statement section.

Government-wide, net depreciable assets increased by \$2.5 million in 2011, while non-depreciable assets increased by \$21 million. The main reasons for the increases in both categories of assets are Tilley Master Plan construction project and the contributed capital infrastructure prior period additions.

Long-Term Debt

Total general obligation debt outstanding at year end was \$101.8 million (\$94 million in governmental activities and \$7.9 million in Business-type activities). This total represents a decrease of \$5.2 million over 2010 and was due the regularly scheduled periodic bond payments. The county did not sell any new bonds in 2011 and it has no plans to in 2012.

At the end of 2011, the County has the capacity to issue \$385.3 million in debt without a vote under the limitation of indebtedness statute. Debt outstanding exceeds assets reserved for debt repayment by \$101.7 million. This leaves \$283.6 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, 2011
Page 1 of 2

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash & Pooled Investments	\$ 141,437,579	\$ 15,422,847	\$ 156,860,426
<i>Receivables:</i>			
Taxes Receivable	2,909,965	-	2,909,965
Special Assessment Receivables	75,493	472,038	547,531
Accrued Interest & Penalties	4,088,346	147,300	4,235,646
Customer Account Receivables	16,838,000	2,100,098	18,938,098
Internal Balances	(390,280)	390,280	-
Due from Other Government Units	6,889,460	655,972	7,545,432
Inventory	857,479	-	857,479
Prepayments	358,265	-	358,265
<i>Restricted Assets:</i>			
Cash & Pooled Investments	-	319,750	319,750
Investments at Cost	-	-	-
Total Current Assets	173,064,307	19,508,285	192,572,592
Long-Term Assets:			
Deferred Charges	1,346,920	142,195	1,489,115
Community Loans Receivable	-	292,401	292,401
Other Long-Term Receivables	-	-	-
Special Assessment Receivables	100,805	2,261,238	2,362,043
Advances To Other Funds	-	-	-
Investment in Joint Ventures, Net	2,006,193	-	2,006,193
<i>Capital Assets:</i>			
Non-Depreciable	295,898,598	5,638,069	301,536,667
Depreciable, Net	171,644,614	33,435,824	205,080,438
<i>Restricted Assets: Cash and Pooled Investments</i>	-	18,148,144	18,148,144
Total Noncurrent Assets	470,997,130	59,917,871	530,915,001
Total Assets	644,061,437	79,426,156	723,487,593

See accompanying notes to financial statements

Statement of Net Assets
December 31, 2011
Page 2 of 2

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 8,166,152	\$ 1,148,112	\$ 9,314,264
Due To Other Funds	-	-	-
Notes/Leases Payable	125,589	80,008	205,597
Due to Other Government Units	476,598	-	476,598
Compensated Absences	265,612	25,460	291,072
Claims & Judgments Payable	568,208	-	568,208
Limited G.O. Bonds Payable	4,786,095	800,000	5,586,095
Special Assess. Debt - Gov. Commitment	-	81,018	81,018
Unearned Revenue	990,667	18,126	1,008,793
Total Current Liabilities	15,378,921	2,152,724	17,531,645

Long-Term Liabilities:

Limited G.O. Bonds Payable	89,185,718	7,073,207	96,258,925
Special Assess. Debt - Gov. Commitment	-	672,050	672,050
Compensated Absences	6,106,465	585,366	6,691,831
Other Post Employment Benefits Payable	12,703,082	1,057,901	13,760,983
Claims & Judgments Payable	3,595,726	-	3,595,726
Notes/Leases Payable	811,733	790,311	1,602,044
Advances From Other Funds	-	-	-
Accumulated Landfill Closure Costs	-	18,318,884	18,318,884
Total Noncurrent Liabilities	112,402,724	28,497,719	140,900,443

Total Liabilities	127,781,645	30,650,443	158,432,088
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NET ASSETS

Investment in Capital Assets, Net of Related Debt	379,700,249	30,267,496	409,967,745
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Restricted Net Assets:

Culture & Recreation	59,117		59,117
Economic Environment	2,656,604		2,656,604
General Government	14,551,225		14,551,225
Health and Human Services	27,209,270		27,209,270
Internal Service	25,502,589		25,502,589
Public Safety	24,391,877		24,391,877
Physical Environment	5,124,696		5,124,696
Transportation	14,676,241		14,676,241
Debt Service		3,140,851	3,140,851
Landfill Postclosure		2,057,505	2,057,505
Unrestricted (Deficit)	22,407,924	13,309,861	35,717,785

Total Net Assets	\$ 516,279,792	\$ 48,775,713	\$ 565,055,505
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See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2011
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	\$ 18,987,244	\$ (6,535,857)	\$ 5,940,798	\$ 2,622,863	\$ 315,448
Culture & Recreation	1,703,747	92,935	676,193	141,799	-
Economic Environment	5,829,204	223,468	1,319,872	2,501,474	298,610
Health & Human Services	45,814,102	872,097	3,127,170	32,091,362	-
Public Safety	66,121,431	2,421,746	8,650,138	4,554,791	-
Transportation	25,963,881	1,885,905	5,898,026	40,341	15,767,844
Utilities & Environment	1,754,478	58,714	705,356	308,146	-
Interest and Fiscal Charges	3,961,926				
Total Governmental Activities	170,136,013	(980,992)	26,317,553	42,260,776	16,381,902
Business-Type Activities:					
Solid Waste	15,960,123	296,960	18,980,963	150,786	2,532
Water	831,837	51,494	621,448	-	33,851
Sewer	1,780,540	102,987	1,272,535	-	67,702
Stormwater	2,536,775	218,567	3,238,606	294,567	437,547
Land Use & Permitting	3,208,607	310,984	2,882,951	24,698	-
Total Business-Type Activities	24,317,882	980,992	26,996,503	470,051	541,632
Total Primary Government	\$ 194,453,895	\$ -	\$ 53,314,056	\$ 42,730,827	\$ 16,923,534

General Revenues:

Taxes:

Property Taxes
Sales Taxes
Business & Harvest Taxes
Excise Taxes

Other General Revenues:

Interest & Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous

Transfers In/(Out)

Total General Revenues, Special Items and Transfers

Change in Net Assets

Net Assets as of January 1
Prior Period Adjustment
Net Assets as of January 1 - Restated

Net Assets as of December 31

See accompanying notes to financial statements

Statement Of Activities
For The Year Ended December 31, 2011
Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes In Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT			
<i>Governmental Activities:</i>			
General Government	\$ (3,572,278)		\$ (3,572,278)
Culture & Recreation	(978,690)		(978,690)
Economic Environment	(1,932,716)		(1,932,716)
Health & Human Services	(11,467,667)		(11,467,667)
Public Safety	(55,338,248)		(55,338,248)
Transportation	(6,143,575)		(6,143,575)
Utilities & Environment	(799,690)		(799,690)
Interest and Fiscal Charges	(3,961,926)		(3,961,926)
Total Governmental Activities	(84,194,790)		(84,194,790)
<i>Business-Type Activities:</i>			
Solid Waste		2,877,198	2,877,198
Water		(228,032)	(228,032)
Sewer		(543,290)	(543,290)
Stormwater		1,215,378	1,215,378
Land Use & Permitting		(611,942)	(611,942)
Total Business-Type Activities	-	2,709,312	2,709,312
Total Primary Government	\$ (84,194,790)	\$ 2,709,312	\$ (81,485,478)
General Revenues:			
<i>Taxes:</i>			
Property Taxes	62,618,528		62,618,528
Sales Taxes	21,403,671		21,403,671
Business & Harvest Taxes	933,709		933,709
Excise Taxes	2,472,103		2,472,103
<i>Other General Revenues:</i>			
Interest & Investment Earnings	5,215,135	216,820	5,431,955
Gain on Sale of Capital Assets	-	-	-
Miscellaneous	351,951	83,953	435,904
Transfers In/(Out)	(1,305,394)	1,305,394	-
Total General Revenues and Transfers	91,689,703	1,606,167	93,295,870
Change in Net Assets	7,494,913	4,315,479	11,810,392
Net Assets as of January 1	501,133,411	44,629,859	545,763,270
Prior Period Adjustment	7,651,468	(169,625)	7,481,843
Net Assets as of January 1 - Restated	508,784,879	44,460,234	553,245,113
Net Assets as of December 31	\$ 516,279,792	\$ 48,775,713	\$ 565,055,505

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2011
Page 1 of 2

	General	Debt	Detention	Real	
	Fund	Holding	Facility Sales	Estate	
ASSETS			Tax Holding	Excise Tax	Roads
Assets:					
Cash & Pooled Investments	\$ 13,595,743	\$ 7,802,666	\$ 11,487,630	\$ 12,416,830	14,028,037
Receivables:					-
Taxes Receivable	1,604,288	-	-	-	789,757
Special Assessment Receivables	-	-	-	-	-
Accrued Interest & Penalties	3,826,031	24,673	21,765	24,307	4,654
Customer Account Receivables	2,784,789	-	-	-	14,398
Due from Other Funds	1,066,700	-	-	-	581,862
Due from Other Government Units	2,399,489	844,087	-	-	950,090
Inventory	-	-	-	-	585,226
Prepayments	7,576	-	-	-	-
Advances To Other Funds	-	-	-	-	168,907
Total Assets	25,284,616	8,671,426	11,509,395	12,441,137	17,122,931
LIABILITIES					
Liabilities:					
Accounts Payable	1,395,012	-	-	469	2,171,903
Notes Payable	-	-	-	-	-
Due to Other Funds	153,076	1,605,254	220,901	607,521	33,865
Due to Other Government Units	1,567	-	-	-	320,105
Deferred Revenues	5,283,310	-	-	-	1,779,496
Advances From Other Funds	-	-	-	-	-
Total Liabilities	6,832,965	1,605,254	220,901	607,990	4,305,369
FUND BALANCES					
Nonspendable	2,289,785	-	-	-	585,226
Restricted	42,033	7,066,172	11,288,494	11,732,237	8,526,450
Assigned	-	-	-	100,910	3,705,886
Unassigned	16,119,833	-	-	-	-
Total Fund Balance	18,451,651	7,066,172	11,288,494	11,833,147	12,817,562
Total Liabilities & Fund Balances	\$ 25,284,616	\$ 8,671,426	\$ 11,509,395	\$ 12,441,137	\$ 17,122,931

See accompanying notes to financial statements

Balance Sheet
Governmental Funds
December 31, 2011
Page 2 of 2

	Medic	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
ASSETS	One			
Assets:				
Cash & Pooled Investments	\$ 19,586,187	14,362,295	\$ 16,944,837	\$ 110,224,225
Receivables:	-	-	-	-
Taxes Receivable	416,725	32,242	66,953	2,909,965
Special Assessment Receivables	-	13,189	62,304	75,493
Accrued Interest & Penalties	34,645	25,345	88,603	4,050,023
Customer Account Receivables	-	25,358	579,957	3,404,502
Due from Other Funds	-	623,461	1,596,581	3,868,604
Due from Other Government Units	-	2,091,915	595,591	6,881,172
Inventory	-	-	-	585,226
Prepayments	-	-	-	7,576
Advances To Other Funds	-	-	-	168,907
Total Assets	20,037,557	17,173,805	19,934,826	132,175,693
LIABILITIES				
Liabilities:				
Accounts Payable	811,231	1,268,940	1,865,710	7,513,265
Notes Payable	-	-	-	-
Due to Other Funds	847	55,581	1,165,520	3,842,565
Due to Other Government Units	-	154,926	-	476,598
Deferred Revenues	416,725	45,432	271,710	7,796,673
Advances From Other Funds	-	-	-	-
Total Liabilities	1,228,803	1,524,879	3,302,940	19,629,101
FUND BALANCES				
Nonspendable	-	-	-	2,875,011
Restricted	11,371,653	4,350,408	12,598,356	66,975,803
Assigned	7,437,101	11,298,518	4,050,584	26,592,999
Unassigned	-	-	(17,054)	16,102,779
Total Fund Balance	18,808,754	15,648,926	16,631,886	112,546,592
Total Liabilities & Fund Balances	\$ 20,037,557	\$ 17,173,805	\$ 19,934,826	\$ 132,175,693

See accompanying notes to financial statements

**Reconciliation of The Balance Sheet of Governmental Funds
To The Statement of Net Assets
December 31, 2011**

	Governmental Funds
	<hr/>
Fund balance as shown in the Governmental Funds Balance Sheet	\$ 112,546,592
 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	 365,197,231
 Debt, which is not reported in governmental funds, is reported in the statement of net assets	 (94,684,997)
 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	 129,630,625
 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	 1,541,092
 Long term (non-available) receivables, which are deferred in governmental funds, are recognized and accrued as revenues in the statement of net assets	 20,017,011
 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	 (17,379,196)
 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)	 (588,565)
	<hr/>
Net assets for governmental funds as shown in Statement of Net Assets	\$ 516,279,793
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See accompanying notes to financial statements

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2011
Page 1 of 2

	General Fund	Debt Holding	Detention Facility Sales Tax Holding	Real Estate Excise Tax	Roads
Revenues:					
Taxes	\$51,923,117	\$ -	\$ 3,966,114	\$ 2,098,759	\$ 16,831,245
Licenses & Permits	1,855,829	-	-	-	565,121
Intergovernmental	12,036,365	-	-	-	17,126,363
Charges for Services	11,721,435	-	-	13,463	1,092,912
Fines & Forfeits	1,924,366	-	-	-	-
Miscellaneous Revenue	1,490,755	200,994	140,285	149,405	192,917
Total Revenues	80,951,867	200,994	4,106,399	2,261,627	35,808,558
Expenditures:					
<i>Current:</i>					
General Government	13,791,836	21,077	-	-	-
Culture & Recreation	1,239,823	-	-	-	-
Economic Environment	1,868,624	-	-	-	-
Health & Human Services	-	-	-	-	-
Public Safety	60,555,569	-	3,257	-	-
Transportation	128,562	-	-	-	20,248,005
Utilities & Environment	591,307	-	-	-	-
Capital Outlay	296,333	-	-	-	16,362,001
<i>Debt Service:</i>					
Principal	107,728	-	-	-	16,005
Interest & Fiscal Charges	24,100	-	-	-	6,899
Total Expenditures	78,603,882	21,077	3,257	-	36,632,910
Excess (Deficiency) of Revenues Over Expenditures	2,347,985	179,917	4,103,142	2,261,627	(824,352)
Other Financing Sources (Uses)					
Capital Lease Financing	93,640	-	-	-	9,711
Sale of Capital Assets	5,090	-	-	-	220,775
Debt Issuance	-	-	-	-	634,931
Transfers In	3,661,011	-	-	8,747	1,729,785
Transfers Out	(3,575,894)	(17,592,962)	(5,864,228)	(4,143,106)	(817,352)
Total Other Financing Sources (Uses)	183,847	(17,592,962)	(5,864,228)	(4,134,359)	1,777,850
Net Changes In Fund Balances	2,531,832	(17,413,045)	(1,761,086)	(1,872,732)	953,498
Restated Fund Balances as of January 1	15,919,819	24,479,217	13,049,580	13,705,879	12,770,546
Prior Period Adjustments	-	-	-	-	(906,482)
Fund Balances as of January 1 - Restated	15,919,819	24,479,217	13,049,580	13,705,879	11,864,064
Fund Balances as of December 31	\$18,451,651	\$ 7,066,172	\$11,288,494	\$11,833,147	\$ 12,817,562

See accompanying notes to financial statements

Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2011
Page of 2 of 2

	Medic One	Public Health & Social Services	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,186,030	\$ 883,045	\$ 5,469,733	90,358,043
Licenses & Permits	-	627,465	-	3,048,415
Intergovernmental	238,957	31,613,381	3,437,222	64,452,288
Charges for Services	60	2,581,892	2,475,046	17,884,808
Fines & Forfeits	-	-	40,075	1,964,441
Miscellaneous Revenue	209,220	501,227	1,018,706	3,903,509
Total Revenues	9,634,267	36,207,010	12,440,782	181,611,504
Expenditures:				
<i>Current:</i>				
General Government	-	-	973,878	14,786,791
Culture & Recreation	-	-	68	1,239,891
Economic Environment	-	-	3,842,969	5,711,593
Health & Human Services	9,397,265	35,983,015	-	45,380,280
Public Safety	-	-	3,529,625	64,088,451
Transportation	-	-	-	20,376,567
Utilities & Environment	-	-	956,097	1,547,404
Capital Outlay	345,621	43,115	16,363,366	33,410,436
<i>Debt Service:</i>				-
Principal	5,638	7,945	3,904,943	4,042,259
Interest & Fiscal Charges	323	7,798	3,984,678	4,023,798
Total Expenditures	9,748,847	36,041,873	33,555,624	194,607,470
Excess (Deficiency) of Revenues Over Expenditures	(114,580)	165,137	(21,114,842)	(12,995,966)
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	-	103,351
Sale of Capital Assets	-	-	-	225,865
Debt Issuance	-	-	-	634,931
Transfers In	-	6,494,212	26,195,369	38,089,124
Transfers Out	-	-	(7,690,770)	(39,684,312)
Total Other Financing Sources (Uses)	-	6,494,212	18,504,599	(631,041)
Net Changes In Fund Balances	(114,580)	6,659,349	(2,610,243)	(13,627,007)
Restated Fund Balances as of January 1	18,923,334	8,989,577	19,242,129	127,080,081
Prior Period Adjustments	-	-	-	(906,482)
Fund Balances as of January 1 - Restated	18,923,334	8,989,577	19,242,129	126,173,599
Fund Balances as of December 31	\$ 18,808,754	\$ 15,648,926	\$ 16,631,886	\$ 112,546,592

See accompanying notes to 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, 2011**

	<u>Governmental Funds</u>
Change in fund balance as shown in the Governmental Funds	
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (13,627,007)
Capital Assets:	
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	33,410,436
Depreciation (asset usage), which is not reported in governmental funds, is recognized and reported in the statement of activities	(9,039,300)
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>(3,582,333)</u> 20,788,803
Long-Term Debt:	
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)	4,467,834
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	61,872
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>(738,282)</u> 3,791,424
Interfund Transactions:	
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	(1,863,159)
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	(1,438,425)
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>980,993</u> (2,320,591)
Other:	
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	1,090,240
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>(2,227,955)</u> <u>(1,137,715)</u>
Change in net assets for governmental funds as shown in the Statement of Activities	<u><u>\$ 7,494,914</u></u>

See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
Page 1 of 7

	Original 2011 Budget	Final 2011 Budget	Actual 2011	Variance with Final Budget Positive or (Negative)
Revenues By Funding Source				
General Revenues:				
Taxes	\$ 51,732,326	\$ 51,732,326	\$ 51,923,117	\$ 190,791
Licenses & Permits	1,738,650	1,738,650	1,855,829	117,179
Intergovernmental	11,219,717	12,743,641	12,036,365	(707,276)
Charges for Services	11,387,270	11,444,485	11,721,435	276,950
Fines & Forfeits	1,612,400	1,612,400	1,924,366	311,966
Miscellaneous Revenue	1,071,615	1,082,115	1,490,755	408,640
Total General Revenues	78,761,978	80,353,617	80,951,867	598,250
Other Financing Sources:				
Capital Lease Financing	-	-	93,640	93,640
Other Finance Sources - Capital Asset Sale	700	700	5,090	4,390
Other Financing Sources - Bond Proceeds	-	-	-	-
Transfers In	3,926,151	4,052,633	3,661,011	(391,622)
Total Other Financing Sources	3,926,851	4,053,333	3,759,741	(293,592)
Total Revenues	\$ 82,688,829	\$ 84,406,950	\$ 84,711,608	\$ 304,658

See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
Page 2 of 7

Expenditures by Department

Assessor's Office:

General Government	\$ 3,352,687	\$ 3,370,187	\$ 3,325,223	\$ 44,964
Capital Outlay	20,000	2,500	-	2,500

Total Assessor's Office	3,372,687	3,372,687	3,325,223	47,464
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Auditor's Office:

General Government	5,015,748	4,722,874	4,333,225	389,649
Capital Outlay	-	-	23,062	(23,062)
Debt Service:				
Principal	6,329	6,994	4,751	2,243
Interest and Fiscal Charges	1,509	3,336	3,853	(517)
Transfers Out	-	-	-	-

Total Auditor's Office	5,023,586	4,733,204	4,364,891	368,313
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Assigned Counsel:

Public Safety	2,848,493	3,091,493	3,086,891	4,602
Capital Outlay	-	-	-	-
Debt Service:				
Principal	2,000	2,000	4,294	(2,294)
Interest and Fiscal Charges	1,500	1,500	141	1,359

Total Assigned Counsel	2,851,993	3,094,993	3,091,326	3,667
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Civil Service:

Public Safety	108,666	108,666	21,689	86,977
Capital Outlay	-	-	-	-

Total Civil Service	108,666	108,666	21,689	86,977
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Clerk's Office:

Public Safety	2,981,898	2,981,898	2,928,706	53,192
Capital Outlay	-	-	35,525	(35,525)
Debt Service:				
Principal	28,000	28,000	18,526	9,474
Interest and Fiscal Charges	11,000	11,000	4,274	6,726

Total Clerk's Office	3,020,898	3,020,898	2,987,031	33,867
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See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
Page 3 of 7

Commissioner's Office:

General Government	1,451,649	1,567,356	1,491,121	76,235
Transportation	129,373	129,373	128,335	1,038
Capital Outlay	-	-	-	-
Debt Service:				
Principal	4,834	4,834	5,220	(386)
Interest and Fiscal Charges	903	903	527	376
Transfers Out	-	-	-	-
Total Commissioner's Office	1,586,759	1,702,466	1,625,203	77,263

Coroner's Office:

Public Safety	910,488	917,688	933,645	(15,957)
Economic Environment	4,800	4,800	7,150	(2,350)
Capital Outlay	62,997	62,997	6,619	56,378
Debt Service:				
Principal	3,603	3,603	3,698	(95)
Interest and Fiscal Charges	398	398	310	88
Transfers Out	-	-	-	-
Total Coroner's Office	982,286	989,486	951,422	38,064

Corrections:

Public Safety	14,441,230	14,486,519	14,376,464	110,055
Capital Outlay	-	-	19,025	(19,025)
Debt Service:				
Principal	6,000	6,000	10,403	(4,403)
Interest and Fiscal Charges	100	100	1,497	(1,397)
Transfers Out	-	-	-	-
Total Corrections	14,447,330	14,492,619	14,407,389	85,230

District Court

Public Safety	3,022,678	3,025,648	2,913,153	112,495
Capital Outlay	-	-	-	-
Debt Service:				
Principal	1,993	1,993	2,161	(168)
Interest and Fiscal Charges	506	506	342	164
Total District Court	3,025,177	3,028,147	2,915,656	112,491

See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
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Emergency Management:

Public Safety	2,065,986	2,065,986	2,072,437	(6,451)
Capital Outlay	173,210	173,210	49,208	124,002
Debt Service:				
Principal	-	-	2,405	(2,405)
Interest and Fiscal Charges	-	-	256	(256)
Transfers Out	1,000,000	1,000,000	1,000,000	-

Emergency Management	3,239,196	3,239,196	3,124,306	114,890
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Human Resources:

General Government	1,459,177	1,459,177	1,207,937	251,240
Public Safety	11,283	11,283	9,150	2,133
Capital Outlay	-	-	-	-
Debt Service:				
Principal	9,195	9,195	4,826	4,369
Interest and Fiscal Charges	1,800	1,800	222	1,578
Transfers Out	-	-	-	-

Total Human Resources	1,481,455	1,481,455	1,222,135	259,320
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Juvenile Probation:

Public Safety	6,946,707	6,958,144	6,492,756	465,388
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	7,673	(7,673)
Interest and Fiscal Charges	-	-	2,176	(2,176)
Transfers Out	-	-	-	-

Total Juvenile Probation	6,946,707	6,958,144	6,502,605	455,539
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See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
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Non-Departmental:

General Government	1,835,392	1,835,392	1,332,179	503,213
Public Safety	100,000	100,000	-	100,000
Utilities & Environment	591,574	591,574	591,307	267
Transportation	994	994	227	767
Economic Environment	210,575	210,575	212,271	(1,696)
Culture and Recreation	70,000	70,000	-	70,000
Capital Outlay	100,000	100,000	-	100,000
Debt Service:				
Principal				
Interest and Fiscal Charges	-	-	-	
Transfers Out	2,062,141	2,386,377	2,084,221	302,156
Total Non-Departmental	4,970,676	5,294,912	4,220,205	1,074,707

Planning:

Economic Environment	1,891,629	2,324,344	1,446,632	877,712
Capital Outlay	5,500	5,500	-	5,500
Transfers Out	-	-	-	-
Total Planning	1,897,129	2,329,844	1,446,632	883,212

Prosecuting Attorney:

Public Safety	7,883,095	8,066,944	7,962,466	104,478
Capital Outlay	15,000	54,488	77,831	(23,343)
Debt Service:				
Principal	27,000	27,000	23,822	3,178
Interest and Fiscal Charges	8,000	8,000	6,020	1,980
Transfers Out	-	-	-	-
Total Prosecuting Attorney	7,933,095	8,156,432	8,070,139	86,293

State Examiner:

General Government	115,000	115,000	106,194	8,806
Total State Examiner	115,000	115,000	106,194	8,806

See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
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Sheriff:				
Public Safety	14,409,248	14,552,605	14,176,612	375,993
Capital Outlay	-	10,644	53,456	(42,812)
Principal	-	4,710	5,711	(1,001)
Interest and Fiscal Charges	-	2,298	1,943	355
Transfers Out	183,782	183,782	392,555	(208,773)
Total Sheriff	14,593,030	14,754,039	14,630,277	123,762
Superior Court:				
Public Safety	5,043,893	5,552,115	5,077,359	474,756
Capital Outlay	-	-	-	-
Debt Service:				
Principal	3,832	3,832	10,969	(7,137)
Interest and Fiscal Charges	1,214	1,214	2,234	(1,020)
Transfers Out	-	-	-	-
Total Superior Court	5,048,939	5,557,161	5,090,562	466,599
Treasurer's Office				
General Government	1,080,742	1,080,742	1,043,691	37,051
Capital Outlay	-	-	7,699	(7,699)
Transfers Out	-	-	-	-
Total Treasurer's Office	1,080,742	1,080,742	1,051,390	29,352
WSU Extension				
Culture and Recreation	448,670	459,020	439,516	19,504
Debt Service:				
Principal	1,417	1,417	3,269	(1,852)
Interest and Fiscal Charges	1,615	1,615	305	1,310
Total WSU Extension	451,702	462,052	443,090	18,962
Total General Fund Expenditures	\$ 82,177,053	\$ 83,972,143	\$ 79,597,365	\$ 4,374,778

See accompanying notes to financial statements

General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011
Page 7 of 7

Reconciliation of Budgetary Perspective Differences Due to GASB 54

Fair:

Culture and Recreation	593,616	593,616	564,503	29,113
Total Fair	593,616	593,616	564,503	29,113

Geo Data:

General Government	908,853	974,176	917,116	57,060
Capital Outlay	-	5,010	23,908	(18,898)
Transfers Out	99,118	99,118	99,118	-
Total Geo Data	1,007,971	1,078,304	1,040,142	38,162

LEOFF I Long Term Care:

Public Safety	208,289	208,289	149,956	58,333
Total LEOFF I Long Term Care	208,289	208,289	149,956	58,333

Prisoner Concession:

Public Safety	383,949	383,949	354,285	29,664
Total Prisoner Concession	383,949	383,949	354,285	29,664

Recreation Services:

Culture and Recreation	285,593	285,593	235,804	49,789
Economic Environment	247,756	247,756	202,571	45,185
Total Recreation Services	533,349	533,349	438,375	94,974

REET Technology:

General Government	50,000	100,000	35,150	64,850
Total REET Technology	50,000	100,000	35,150	64,850

Total GASB 54 Expenditures	\$ 2,777,174	\$ 2,897,507	\$ 2,582,411	\$ 315,096
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Total Reported General Fund Expenditures	\$84,954,227	\$ 86,869,650	\$ 82,179,776	\$ 4,689,874
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Net Changes in Fund Balances	(2,265,398)	(2,462,700)	2,531,832	4,994,532
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Restated Fund Balances as of January 1	8,851,441	14,339,604	15,919,819	1,580,215
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Fund Balances as of December 31	\$ 6,586,043	\$ 11,876,904	\$ 18,451,651	6,574,747
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See accompanying notes to financial statements

Medic One
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For The Year Ended December 31, 2011

	Original 2011 Budget	Final 2011 Budget	Actual 2011	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 9,220,071	\$ 9,220,071	\$ 9,186,030	\$ (34,041)
Licenses & Permits	-	-	-	-
Intergovernmental	86,000	86,000	238,957	152,957
Charges for Services	30	30	60	30
Fines & Forfeits	-	-	-	-
Miscellaneous Revenue	352,204	352,204	209,220	(142,984)
Total Revenues	9,658,305	9,658,305	9,634,267	(24,038)
Expenditures:				
<i>Current:</i>				
General Government	-	-	-	-
Culture & Recreation	-	-	-	-
Economic Environment	-	-	-	-
Health & Human Services	11,374,899	11,374,899	9,397,265	1,977,634
Public Safety	-	-	-	-
Transportation	-	-	-	-
Utilities & Environment	-	-	-	-
Capital Outlay	754,053	754,053	345,621	408,432
<i>Debt Service:</i>				
Principal	5,573	5,573	5,638	(65)
Interest & Fiscal Charges	675	675	323	352
Total Expenditures	12,135,200	12,135,200	9,748,847	2,386,353
Excess (Deficiency) of Revenues Over Expenditures	(2,476,895)	(2,476,895)	(114,580)	2,362,315
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	-	-
Sale of Capital Assets	-	-	-	-
Other Fin. Sources - Bond Proceeds	-	-	-	-
Transfers In	6,500	6,500	-	(6,500)
Transfers Out	(6,500)	(6,500)	-	6,500
Total Other Financing Sources (Uses)	-	-	-	-
Net Changes In Fund Balances	(2,476,895)	(2,476,895)	(114,580)	2,362,315
Fund Balances as of January 1	15,950,735	18,923,234	18,923,334	100
Prior Period Adjustments	-	-	-	-
Fund Balances as of January 1 - Restated	15,950,735	18,923,234	18,923,334	100
Fund Balances as of December 31	\$ 13,473,840	\$ 16,446,339	\$ 18,808,754	\$ 2,362,415

See accompanying notes to 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, 2011

	Original 2011 Budget	Final 2011 Budget	Actual 2011	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 1,036,050	\$ 816,550	\$ 883,045	\$ 66,495
Licenses & Permits	669,055	669,055	627,465	(41,590)
Intergovernmental	31,447,756	31,129,373	31,613,381	484,008
Charges for Services	3,086,493	3,005,181	2,581,892	(423,289)
Fines & Forfeits	-	-	-	-
Miscellaneous Revenue	248,121	467,621	501,227	33,606
Total Revenues	36,487,475	36,087,780	36,207,010	119,230
Expenditures:				
<i>Current:</i>				
General Government	-	-	-	-
Culture & Recreation	-	-	-	-
Economic Environment	50,000	75,000	-	75,000
Health & Human Services	40,500,485	40,063,566	35,983,015	4,080,551
Public Safety	-	-	-	-
Transportation	-	-	-	-
Utilities & Environment	-	-	-	-
Capital Outlay	70,000	70,000	43,115	26,885
Debt Service:				
Principal	6,825	6,825	7,945	(1,120)
Interest & Fiscal Charges	5,105	5,105	7,798	(2,693)
Total Expenditures	40,632,415	40,220,496	36,041,873	4,178,623
Excess (Deficiency) of Revenues Over Expenditures	(4,144,940)	(4,132,716)	165,137	4,297,853
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	-	-
Sale of Capital Assets	-	-	-	-
Other Fin. Sources - Bond Proceeds	-	-	-	-
Transfers In	3,093,914	3,083,751	6,494,212	3,410,461
Transfers Out	(30,600)	(30,600)	-	30,600
Total Other Financing Sources (Uses)	3,063,314	3,053,151	6,494,212	3,441,061
Net Changes In Fund Balances	(1,081,626)	(1,079,565)	6,659,349	7,738,914
Fund Balances as of January 1	8,622,933	8,989,227	8,989,577	350
Prior Period Adjustments	-	-	-	-
Fund Balances as of January 1 - Restated	8,622,933	8,989,227	8,989,577	350
Fund Balances as of December 31	\$ 7,541,307	\$ 7,909,662	\$ 15,648,926	\$ 7,739,264

See accompanying notes to 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, 2011

	Original 2011 Budget	Final 2011 Budget	Actual 2011	Variance with Final Budget Positive or (Negative)
Revenues:				
Taxes	\$ 16,762,833	\$ 16,762,833	\$ 16,831,245	\$ 68,412
Licenses & Permits	442,800	442,800	565,121	122,321
Intergovernmental	17,164,595	21,153,165	17,126,363	(4,026,802)
Charges for Services	1,572,944	1,572,944	1,092,912	(480,032)
Fines & Forfeits	-	-	-	-
Miscellaneous Revenue	103,400	103,400	192,917	89,517
Total Revenues	36,046,572	40,035,142	35,808,558	(4,226,584)
Expenditures:				
<i>Current:</i>				
General Government	-	-	-	-
Culture & Recreation	725,045	725,045	-	725,045
Economic Environment	-	-	-	-
Health & Human Services	-	-	-	-
Public Safety	-	-	-	-
Transportation	23,565,159	23,084,439	20,248,005	2,836,434
Utilities & Environment	6,381	6,381	-	6,381
Capital Outlay	16,556,538	24,467,147	16,362,001	8,105,146
<i>Debt Service:</i>				
Principal	6,125	6,125	16,005	(9,880)
Interest & Fiscal Charges	1,682	1,682	6,899	(5,217)
Total Expenditures	40,860,930	48,290,819	36,632,910	11,657,909
Excess (Deficiency) of Revenues Over Expenditures	(4,814,358)	(8,255,677)	(824,352)	7,431,325
Other Financing Sources (Uses)				
Capital Lease Financing	-	-	9,711	9,711
Sale of Capital Assets	160,000	160,000	220,775	60,775
Other Fin. Sources - Bond Proceeds	-	1,227,780	634,931	(592,849)
Transfers In	6,253,448	8,753,448	1,729,785	(7,023,663)
Transfers Out	(1,232,488)	(2,232,488)	(817,352)	1,415,136
Total Other Financing Sources (Uses)	5,180,960	7,908,740	1,777,850	(6,130,890)
Net Changes In Fund Balances	366,602	(346,937)	953,498	1,300,435
Fund Balances as of January 1	9,693,150	12,770,246	12,770,546	300
Prior Period Adjustments	-	-	(906,482)	(906,482)
Fund Balances as of January 1 - Restated	9,693,150	12,770,246	11,864,064	(906,182)
Fund Balances as of December 31	\$ 10,059,752	\$ 12,423,309	\$ 12,817,562	\$ 394,253

See accompanying notes to financial statements

Statement of Net Assets
Proprietary Funds
December 31, 2011

ASSETS	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
Current Assets:					
Cash & Pooled Investments	\$ 9,778,709	\$ 1,617,304	\$ 4,026,834	\$ 15,422,847	\$ 31,213,354
<i>Receivables:</i>					
Special Assessment Receivables	-	222,645	249,393	472,038	-
Accrued Interest & Penalties	-	138,580	8,720	147,300	38,323
Customer Account Receivables	1,833,847	174,521	91,730	2,100,098	222,493
Due From Other Funds	993,761	337,551	70,659	1,401,971	168,219
Due From Other Government Units	311,597	6,048	338,327	655,972	8,288
Inventory	-	-	-	-	272,253
Prepayments	-	-	-	-	257,322
<i>Restricted Assets:</i>					
Cash and Pooled Investments	-	194,507	125,243	319,750	-
Investments at Cost	-	-	-	-	-
Total Current Assets	12,917,914	2,691,156	4,910,906	20,519,976	32,180,252
Noncurrent Assets:					
Deferred Charges	-	142,195	-	142,195	-
Community Loans Receivable	-	-	292,401	292,401	-
Other Long-Term Receivables	-	-	-	-	-
Special Assessment Receivables	-	1,644,418	616,820	2,261,238	-
Advances to Other Funds	114,912	-	-	114,912	-
<i>Capital Assets:</i>					
Non-Depreciable	2,614,790	1,085,634	1,937,645	5,638,069	7,705,064
Depreciable, Net	10,076,383	15,160,903	8,198,538	33,435,824	96,647,110
<i>Restricted Assets: Cash and Pooled Investments</i>	18,148,144	-	-	18,148,144	-
Total Noncurrent Assets	30,954,229	18,033,150	11,045,404	60,032,783	104,352,174
Total Assets	43,872,143	20,724,306	15,956,310	80,552,759	136,532,426

	Enterprise Funds				
	Solid	Grand	Other	Total	Internal
	Waste	Mound	Enterprise	Enterprise	Service
			Funds	Funds	Funds
LIABILITIES					
Current Liabilities:					
Accounts Payable	960,564	14,507	173,041	1,148,112	652,887
Notes/Leases Payable	-	5,165	74,843	80,008	-
Due To Other Funds	1,159,428	53,757	333,077	1,546,262	49,967
Due To Other Government Units	-	-	-	-	-
Compensated Absences	9,376	1,877	14,207	25,460	28,828
Claims and Judgments Payable	-	-	-	-	568,208
Unearned Revenue	-	17,026	1,100	18,126	-
Lim. Tax G. O. Bond - Current Portion	-	800,000	-	800,000	71,724
Spec Assessment Debt - Govern. Commitment	-	-	81,018	81,018	-
Total Current Liabilities	2,129,368	892,332	677,286	3,698,986	1,371,614
Noncurrent Liabilities:					
Limited G.O. Bonds Payable	-	7,073,207	-	7,073,207	152,414
Special Assess. Debt - Gov. Commitment	-	-	672,050	672,050	-
Compensated Absences	215,560	43,159	326,647	585,366	662,767
Other Post Employment Benefits Payable	428,752	47,375	581,774	1,057,901	1,004,368
Claims and Judgments Payable	-	-	-	-	3,595,726
Notes/Leases Payable	-	72,311	718,000	790,311	-
Advances From Other Funds	-	-	168,907	168,907	114,912
Accumulated Landfill Closure Costs	18,318,884	-	-	18,318,884	-
Total Noncurrent Liabilities	18,963,196	7,236,052	2,467,378	28,666,626	5,530,187
Total Liabilities	21,092,564	8,128,384	3,144,664	32,365,612	6,901,801
NET ASSETS					
Invested in Capital Assets, Net Of Related Debt	12,691,173	8,295,854	9,280,469	30,267,496	104,128,036
Restricted For:					
Postclosure	2,057,505	-	-	2,057,505	-
Debt Service	-	2,339,211	801,640	3,140,851	-
Unrestricted (Deficit)	8,030,901	1,960,857	2,729,537	12,721,295	25,502,589
Total Net Assets	\$ 22,779,579	\$ 12,595,922	\$ 12,811,646	\$ 48,187,147	\$ 129,630,625

See accompanying notes to financial statements

**Reconciliation of The Statement of
Net Assets of Proprietary Funds
To The Statement of Net Assets
*December 31, 2011***

	Business Type Funds
	<hr/>
Enterprise net assets as shown in the Proprietary Funds Statement of Net Assets	\$ 48,187,147
Internal balances for additional amounts owed between governmental and business units have not been included in governmental fund statements.	<hr/> 588,565
Net assets for business-type funds as shown in Statement of Net Assets	<hr/> <u>\$ 48,775,712</u>
See accompanying notes to financial statements	

Statement of Revenues, Expenses and Changes In Fund Net Assets
Proprietary Funds
For The Year Ended December 31, 2011

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues:					
Charges for Services	\$ 18,980,963	\$ 1,297,004	\$ 7,457,139	\$ 27,735,106	\$ 16,038,040
Equipment Rental	-	-	-	-	6,121,092
Interfund Contributions	-	-	-	-	-
Miscellaneous	32,601	44,889	6,463	83,953	35,150
Total Operating Revenues	19,013,564	1,341,893	7,463,602	27,819,059	22,194,282
Operating Expenses:					
Salaries and Benefits	2,556,338	323,723	4,427,441	7,307,502	7,769,102
Other Supplies and Expenses	195,297	46,217	212,544	454,058	2,976,046
Contractual Services	1,350,420	223,073	744,745	2,318,238	5,506,632
Longhaul Contract	9,929,907	-	-	9,929,907	-
Interfund Services and Charges	1,272,591	144,051	2,261,610	3,678,252	1,566,764
Depreciation/Amortization	1,045,810	482,715	790,997	2,319,522	5,406,894
Claims Payments	-	-	-	-	1,263,825
Total Operating Expenses	16,350,363	1,219,779	8,437,337	26,007,479	24,489,263
Operating Income (Loss)	2,663,201	122,114	(973,735)	1,811,580	(2,294,981)
Nonoperating Revenue (Expenses):					
Interest Revenue	3,777	134,516	78,527	216,820	224,227
Other Nonoperating Revenue (Expense)	(334,337)	(92,581)	1,261,603	834,685	(85,230)
Interest Expense & Fiscal Charges	-	(378,678)	(35,839)	(414,517)	(50,448)
Total Nonoperating Revenue (Expense)	(330,560)	(336,743)	1,304,291	636,988	88,549
Income Before Contributions and Transfers	2,332,641	(214,629)	330,556	2,448,568	(2,206,432)
Capital Contributions	2,532	90,248	11,305	104,085	2,779,351
Transfers In	187,586	698,584	1,261,764	2,147,934	1,363,683
Transfers Out	(50,000)	(8,747)	(783,793)	(842,540)	(1,073,889)
Change in Net Assets	2,472,759	565,456	819,832	3,858,047	862,713
Net Assets as of January 1	20,306,820	11,753,917	12,437,988	44,498,725	128,767,912
Prior Period Adjustments	-	276,549	(446,174)	(169,625)	-
Net Assets as of January 1 - Restated	20,306,820	12,030,466	11,991,814	44,329,100	128,767,912
Net Assets as of December 31	\$ 22,779,579	\$ 12,595,922	\$ 12,811,646	\$ 48,187,147	\$ 129,630,625

See accompanying notes to 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, 2011**

	<u>Business-Type Funds</u>
Change in enterprise net assets as shown in the Statement of Revenues, Expenses and Changes in Fund Net Assets	\$ 3,858,047
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	1,438,424
Allocated direct and indirect costs from the County's cost plan	<u>(980,993)</u>
Change in net assets for business-type funds as shown in the Statement of Activities	<u><u>\$ 4,315,478</u></u>

See accompanying notes to financial statements

Statement Of Cash Flows
Proprietary Funds
For The Year Ended December 31, 2011

	Enterprise Funds				Internal
	Solid	Grand	Other	Total	Service
	Waste	Mound	Enterprise	Enterprise	Funds
			Funds	Funds	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 20,464,209	\$ 1,161,972	\$ 7,488,035	\$ 29,114,216	\$ 22,201,068
Cash Paid for Goods & Services	(14,876,479)	(541,870)	(3,335,866)	(18,754,215)	(11,266,565)
Cash Paid to Employees	(2,418,191)	(313,007)	(4,275,159)	(7,006,357)	(7,431,106)
Net Cash Provided (Used) by Operating Activities	3,169,539	307,095	(122,990)	3,353,644	3,503,397
Cash Flows from Noncapital					
Financing Activities:					
Transfers In	187,586	698,584	1,177,630	2,063,800	1,363,683
Transfers Out	(50,000)	(8,747)	(783,793)	(842,540)	(1,073,889)
Advances Issued to other Funds	(114,912)	-	-	(114,912)	-
Advances Received from other Funds	-	-	-	-	114,912
Grant Proceeds	196,378	-	202,877	399,255	-
Tax and Assessment Receipts	-	-	584,439	584,439	88,566
Community Loans Issued to Homeowners	-	-	(113,861)	(113,861)	-
Community Loan Financing Payments	-	-	(41,415)	(41,415)	-
Community Loan Financing Proceeds	-	-	146,976	146,976	-
Insurance Recoveries	-	-	-	-	10,585
Tax Payments	(485,123)	(49,962)	(61,440)	(596,525)	(9,425)
Interest Payments	-	-	(34,742)	(34,742)	-
Net Cash Provided (Used) by Noncapital					
Financing Activities	(266,071)	639,875	1,076,671	1,450,475	494,432
Cash Flows from Capital &					
Related Financing Activities:					
Capital Asset Sales & Dispositions	-	40,025	-	40,025	79,799
Capital Asset Purchases	(369,515)	(745,577)	(1,177,478)	(2,292,570)	(1,514,122)
Bond/Loan Payments	-	(754,485)	(205,971)	(960,456)	(69,483)
Bond/Loan Proceeds	-	-	-	-	-
Grant Proceeds	-	-	437,547	437,547	-
Contributed Capital	2,532	90,248	11,305	104,085	-
Assessment Receipts	-	542,909	58,291	601,200	-
Interest Payments	-	(396,290)	(1,097)	(397,387)	(50,448)
Net Cash Provided (Used) by Capital &					
Related Financing Activities	(366,983)	(1,223,170)	(877,403)	(2,467,556)	(1,554,254)
Cash Flows from Investing Activities:					
Interest Receipts	48,780	51,209	78,076	178,065	219,204
Net Cash Provided (Used) by Investing Activities	48,780	51,209	78,076	178,065	219,204
Net Increase (Decrease) in Cash &					
Cash Equivalents	2,585,265	(224,991)	154,354	2,514,628	2,662,779
Cash & Cash Equivalents as of January 1	25,341,588	2,036,802	3,997,723	31,376,113	28,550,575
Cash & Cash Equivalents as of December 31	\$ 27,926,853	\$ 1,811,811	\$ 4,152,077	\$ 33,890,741	\$ 31,213,354

	Enterprise Funds				Internal Service Funds
	Solid Waste	Grand Mound	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of Operating Income To Net Cash Provided (Used) by Operating Income:					
Operating Income	\$ 2,663,201	\$ 122,114	\$ (973,735)	\$ 1,811,580	\$ (2,294,981)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	1,045,810	482,715	790,997	2,319,522	5,406,894
(Increase) Decrease in:					
Customer Account Receivables	82,521	(22,015)	24,877	85,383	48,991
Due from Other Funds	1,368,124	(157,906)	(444)	1,209,774	(56,593)
Due from Other Government Units	-	-	-	-	14,388
Inventories	-	-	-	-	(20,193)
Prepaid Expense	-	-	-	-	(154,419)
Deferred Charges	-	-	-	-	-
Increase (Decrease) in:					
Accounts Payable	(249,812)	(10,453)	(93,779)	(354,044)	54,441
Due to Other Funds	(1,451,469)	(112,732)	(22,743)	(1,586,944)	44,195
Due to Other Government Units	-	(5,344)	(445)	(5,789)	(15,460)
Claims and Judgments	-	-	-	-	138,138
Compensated Absences Payable	138,147	10,716	152,282	301,145	337,996
Accumulated Landfill Closure	(426,983)	-	-	(426,983)	-
Total Adjustments	506,338	184,981	850,745	1,542,064	5,798,378
Net Cash Provided (Used) by Operating Activities	\$ 3,169,539	\$ 307,095	\$ (122,990)	\$ 3,353,644	\$ 3,503,397

Noncash Investing, Capital, and Financing

Activities:

Gain on Purchase/Sale Of Capital Assets	\$ -	\$ 583,996	\$ 132,353	\$ 716,349	\$ 121,966
Loss on Purchase/Sale of Capital Assets	\$ -	\$ (666,640)	\$ (169,143)	\$ (835,783)	\$ (376,721)
Prior Period Adjustment - Capital Asset Adjustments and Transfers	\$ -	\$ 276,549	\$ (487,389)	\$ (210,840)	\$ -
Prior Period Adjustment - Septic Loan Receivables	\$ -	\$ -	\$ 41,215	\$ 41,215	\$ -
Capital Asset Transfers In	\$ -	\$ -	\$ 84,134	\$ 84,134	\$ -
Contribution of Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 2,779,351

See accompanying notes to financial statements

Statement Of Fiduciary Net Assets
Fiduciary Funds
December 31, 2011

ASSETS	Investment Trust Fund	Private Purpose Trust Fund	Agency Funds
Assets:			
Cash & Pooled Investments	\$ 254,775,285	\$ 1,498,130	\$ 15,972,643
Cash and Investments in Trust	-	-	51,254
Deposits with Fiscal Agent	-	-	60,000
Investments at Cost	-	-	-
Receivables:			
Taxes Receivable	-	-	-
Special Assessment Receivables	-	-	-
Accrued Interest Receivables	19,664	-	-
Customer Account Receivables	3,006	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Investments at Fair Value:			
US Agency & Instrumentality Securities	1,153,863	-	-
Total Assets	255,951,818	1,498,130	16,083,897
LIABILITIES			
Liabilities:			
Warrant Payable	-	-	13,434,624
Accounts Payable	-	-	152,636
Payroll Payable	-	-	2,385,383
Due to Other Governments	-	-	111,254
Total Liabilities	-	-	16,083,897
NET ASSETS			
Investments Held in Trust for Pool Participants	255,951,818	-	-
Investments Held in Trust for Other Purposes	-	1,498,130	-
Total Net Assets	\$ 255,951,818	\$ 1,498,130	\$ -

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For The Year Ended December 31, 2011

	Investment Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Additions By Participants	\$ 1,087,336,266	\$ 10,170,041
Trust Revenues	199,910	-
Total Contributions	<u>1,087,536,176</u>	<u>10,170,041</u>
Investment Income:		
Net Increase In Fair Value Of Investments	4,492,844	-
Interest, Dividends and Other	2,961,997	1,986
Total Investment Income	<u>7,454,841</u>	<u>1,986</u>
Total Additions	<u>1,094,991,017</u>	<u>10,172,027</u>
 Deductions:		
Distributions to Participants	1,076,057,231	10,990,752
Trust Administrative Costs	199,910	-
Total Deductions	<u>1,076,257,141</u>	<u>10,990,752</u>
 Change in Net Assets Held for Individuals, Organizations and Other Governments	 18,733,876	 (818,725)
Net Assets as of January 1 - Restated	<u>237,217,942</u>	<u>2,316,855</u>
Net Assets as of December 31	<u><u>\$ 255,951,818</u></u>	<u><u>\$ 1,498,130</u></u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2011

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 County has no component units for which it 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:

- *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.
- *Roads Special Revenue Fund* – accounts for the design, construction, and maintenance of County roads. Most of the revenues for this fund come from transportation related taxes and grants.
- *Medic One Special Revenue Fund* - accounts for countywide delivery of advanced life support response and transport services. The revenues for this fund come from a portion of the county's property tax levy.
- *Public Health and Social Services Special Revenue Fund* - accounts for the following services: mental health, developmental disabilities, substance abuse prevention & treatment, children and family, environmental protection, and personal health. Most of the revenues in this fund come from health related state and federal grants.
- *Detention Facility Sales Tax Holding Capital Projects Fund* - is a holding fund for local option sales taxes levied to construct adult and juvenile detention facilities.
- *Debt Holding Capital Projects Fund* – is a holding fund for general obligation debt proceeds pending transfer to construction funds to fund construction of public safety and other approved capital projects.
- *Real Estate Excise Tax Capital Projects Fund* – is a holding fund that accounts for the 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:

- *Solid Waste* - accounts for county-wide solid waste activities including waste prevention, recycling and disposal activities at the County's waste and recovery center.
- *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:

- *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.
- *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.
- *Private Purpose Trust Funds* report amounts deposited with the County Clerk through Superior Court trust arrangements and agreements.
- *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 enterprise 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.

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, 2011, 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 \$8,966,000.

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 and outstanding at year end are reported in the fund financial statements as interfund loans receivable and payable if due within one year or advances to and from other funds if due within more than one year. Advances to other funds are offset by a non-spendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources. A separate schedule of advances to and from other funds is furnished in Note IX - Interfund Receivables and Payables. All other outstanding balances between funds, including interfund loans receivable and payable due within one year, 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 the Roads special revenue and the Equipment Rental internal service funds, 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 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 when constructed. The net book values of infrastructure assets are removed from the system when fully depreciated. The net book values of all other fully and partially depreciated assets are retained within the system until replaced or sold. 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:

Asset Class	Estimated Useful Life
Machinery & Equipment	3 – 20 years
Improvements	10 – 40 years
Buildings	10 – 40 years
Infrastructure	15 – 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.

When bonds are sold by a governmental fund, bond premiums, discounts, and issuance costs are recognized in the fund financial statements 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 Restricted fund balance in the fund financial statements and Restricted Net Assets 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, 2011. Rebateable arbitrage, if incurred, will be treated as a reduction in revenue.

10. Net Assets

Fund equity is recognized as net assets in proprietary funds and entity wide statements. 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. Examples include fees and charges for services levied for a specific purpose or use, operating/capital grants restricted by the grantor, and Solid Waste cash and investments restricted to fund a 30 year landfill post-closure care period (see Note XIII – Closure and Post Closure Care Costs). Unless otherwise noted, net assets are unreserved and undesignated. 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.

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	\$ 467,543,212	\$ 39,073,893
Less: Long and Short Term Notes & Bonds Payable	(94,909,135)	(9,496,594)
Plus: Debt Holding Fund Balance (Unspent Debt Proceeds)	7,066,172	-
Non-Capital Debt (Septic Loan Financing)	-	690,197
Investment In Capital Assets, Net of Related Debt	\$ 379,700,249	\$ 30,267,496

11. Fund Balance Classification

Fund equity is recognized as fund balance in governmental funds. Beginning in 2011, the County has implemented GASB Statement No. 54 into its financial statements. Per this statement, there are five fund balance classifications as follows: Non-Spendable, Restricted, Committed, Assigned, and Unassigned.

In relation to this statement, the County has adopted the following policies and procedures:

- The Board of County Commissioners (BoCC) has the authority to set aside governmental funds for a specific purpose. For funds to be set aside as Committed for any purpose, a formal resolution by the BoCC is required to be passed on, or prior to, December 31st of the applicable calendar year. The same action is required by the BoCC to remove a commitment of fund balance.
- Funds that are *intended* to be used for a specific purpose, but have not received the formal approval action by the BoCC, may be recorded as Assigned Fund Balance. The policy delegated the authority to assign amounts to be used for specific purposes to the Financial Management Committee (FMC). Redeploying of assigned resources to an alternative use does not require formal action by the BoCC.
- When both restricted and unrestricted funds are available for expenditure, it is county policy that restricted funds be spent first, unless legal requirements disallow it. It is also county policy that when committed, assigned and unassigned funds are available for expenditure, it is assumed that committed funds are spent first, assigned funds second, and unassigned funds last.

12. Fund Balance Details

The following table discloses the specific purposes of restricted, committed, assigned and unrestricted fund balances for all governmental funds as of December 31, 2011.

Thurston County, Washington 2011

Specific Purpose Fund Balance Classifications
Governmental Funds
December 31, 2011

	Major Special Revenue				Major Capital Projects			Other Funds
	General Fund	Roads	Medic One	Public Health & Social Services	Debt Holding	Detention Facility Sales Tax Holding	Real Estate Excise Tax	
ASSETS								
FUND BALANCES								
Nonspendable:								
Fines & Forfeitures	2,282,209	-	-	-	-	-	-	-
Inventory	-	585,226	-	-	-	-	-	-
Prepayments	7,576	-	-	-	-	-	-	-
Total Non-Spendable	2,289,785	585,226	-	-	-	-	-	-
Restricted for:								
General Government	27,546	-	-	-	-	-	11,732,237	997,839
Culture and Recreation	-	-	-	-	-	-	-	39,097
Economic Environment	-	-	-	-	-	-	-	2,579,891
Health & Human Services	-	-	11,371,653	4,350,408	-	-	-	2,637,958
Public Safety	14,487	-	-	-	7,066,172	11,288,494	-	1,467,773
Transportation	-	8,526,450	-	-	-	-	-	30,109
Utilities & Environment	-	-	-	-	-	-	-	4,845,689
Total Restricted	42,033	8,526,450	11,371,653	4,350,408	7,066,172	11,288,494	11,732,237	12,598,356
Assigned to:								
General Government	-	-	-	-	-	-	100,910	170,631
Culture and Recreation	-	-	-	-	-	-	-	7,178
Economic Environment	-	-	-	-	-	-	-	122,330
Health & Human Services	-	-	7,437,101	11,298,518	-	-	-	-
Public Safety	-	-	-	-	-	-	-	3,250,883
Transportation	-	3,705,886	-	-	-	-	-	507
Utilities & Environment	-	-	-	-	-	-	-	499,055
Total Assigned	-	3,705,886	7,437,101	11,298,518	-	-	100,910	4,050,584
Unassigned	16,119,833	-	-	-	-	-	-	(17,054)
Total Fund Balance	\$ 18,451,651	\$ 12,817,562	\$ 18,808,754	\$ 15,648,926	\$ 7,066,172	\$ 11,288,494	\$ 11,833,147	\$ 16,631,886

13. Minimum Fund Balance

The County's formal adopted minimum fund balance policy for the General Fund stipulates that the minimum balance will equal one month of average budgeted annual expenditures. The BoCC has the ultimate responsibility of monitoring this balance on a periodic basis. For all other governmental funds, establishment of an appropriate minimum balance is the responsibility of the department managing that fund.

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 \$365,197,231 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	\$ 339,948,155
Distribution of Governmental Assets to Internal Service Assets	(2,713,531)
Gains (Losses) on Dispositions of Capital Assets	(3,594,674)
Prior Period Adjustment for Roads Right of Way	7,186,145
Governmental Capital Outlays	33,410,436
Governmental Depreciation Expense	(9,039,300)
Governmental Net Book Value - End of Current Year	<u>\$ 365,197,231</u>

Another element of the reconciliation, as detailed below, was for \$94,684,997 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	\$ 98,509,916
Bond/Note Proceeds	634,931
Debt Principal Payments	(4,042,259)
Lease Financing Proceeds	103,351
Principal Payments on Government Backed Debt & Other Adjustments	(425,575)
Amortization of Premium and Refunding Deferral	(95,367)
Computed Governmental Debt - End of Current Year	<u>\$ 94,684,997</u>

A third element of the reconciliation, as detailed below, was for \$129,630,624 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	\$ 128,767,912
Reclassification of Governmental Assets as Internal Service Assets	2,713,531
Net Transfers In/Out	289,794
Net Profit	(2,140,612)
Net Assets - End of Current Year	<u>\$ 129,630,625</u>
Cash	\$ 31,213,354
Capital Assets	104,352,174
Other Assets	966,898
Claims and Judgments Payable	(3,595,726)
Other Liabilities	(3,306,075)
Net Assets - End of Current Year	<u>\$ 129,630,625</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

The following budget over-expenditures are reported for non-major special revenue funds in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual for the year ended December 31, 2011:

- \$2,275,882 in public safety expenditures for the Communications Fund
- \$79,157 in operating transfers out for the Family Court Services – Clerk Fund
- \$1,503,674 in operating transfers out for the R.S.N. - I.R.M.A. - Thurston Fund
- \$1,503,674 in operating transfers out for the R.S.N. - I.R.M.A. - Thurston Fund
- \$2,253,240 in operating transfers out for the Work Force Development Fund

All reported budget over-expenditures were authorized by resolutions that terminated these funds except for the following:

- The transfer out from the Family Court Services – Clerk Fund was authorized by resolution creating the Family Court Services – Superior Court 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 \$17,054 deficit fund balance at December 31, 2011. The deficit is fully funded by unspent proceeds from the Debt Holding Fund. The Land Use & Permitting enterprise fund had a \$407,569 deficit in net assets at December 31, 2011. Additional fee increases enacted in prior years and an expected "uptick" in building activity should eliminate the carry forward effects of this deficit from 2011.

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, 2011 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, 2011 were \$15,436,478.

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 2011 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, 2011, the County's investment values and maturities for pool and individual fund investments are as follows:

Investment Type	Book Value	Weighted Average Maturity (Years)
Pool Investments:		
State Treasurer's LGIP	\$ 73,250,000	0.0
Money Market Account	15,000,000	0.0
U.S. agencies	342,430,000	3.7
Total Pool Investments	\$ 430,680,000	2.9

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

Interest Rate Risk – The adopted investment policy limited investment maturities to a maximum of five years, with the exception of preapproval by the County Treasurer.

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, 2011 are:

Debt Security	S&P Rating
Fannie Mae (Federal National Mortgage Association)	AA+
Freddie Mac (Federal Home Loan Mortgage Corporation)	AA+
Federal Home Loan Bank	AA+
Federal Farm Credit Bank	AA+
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, 2011

	Total	Pooled Cash Investments	Non-Pooled Cash & Investments
State Treasurer's Local Govt. Investment Pool (LGIP)	\$ 73,250,000	\$ 73,250,000	\$ -
Money Market Account	15,000,000	15,000,000	-
U.S. Agency & Instrumentality Securities	342,430,000	342,430,000	-
Total Investment Pool Investments	430,680,000	430,680,000	-
Deposits With Financial Institutions	15,436,478	15,436,478	-
Net Increase (Decrease) in Fair Value of Investments	1,153,863	1,153,863	-
Pool Accruals	2,155	2,155	-
Total Investment Pool Cash & Investments	447,272,496	447,272,496	-
Fiscal and Petty Cash	91,539	-	91,539
Clerk's Trust Funds	1,498,130	-	1,498,130
Total Reported Cash & Investments	\$ 448,862,165	\$ 447,272,496	\$ 1,589,669

Reconciliation of Cash & Investments to Statements December 31, 2011

	Total	Statements of Fiduciary Net Assets	Net Assets
Cash & Pooled Investments - County Funds	\$ 175,296,781	\$ -	\$ 175,296,781
Cash & Pooled Investments - Investment Trust Fund	254,775,285	254,775,285	-
Cash & Pooled Investments - Agency Funds	16,023,897	16,023,897	-
Investments at Cost	-	-	-
Net Increase (Decrease) in Investment Fair Value	1,153,863	1,153,863	-
Pool Accruals	22,670	22,670	-
Total Investment Pool Cash & Investments	447,272,496	271,975,715	175,296,781
Fiscal and Petty Cash	91,539	60,000	31,539
Private Purpose Trust Funds	1,498,130	1,498,130	-
Total Reported Cash & Investments	\$ 448,862,165	\$ 273,533,845	\$ 175,328,320

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

**Restricted and Unrestricted Cash & Investments
December 31, 2011**

	Total	Restricted	Unrestricted
Cash & Pooled Investments	\$ 448,862,165	\$ 292,001,739	\$ 156,860,426
Investments	-	-	-
Total	\$ 448,862,165	\$ 292,001,739	\$ 156,860,426

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 increase in the fair value of the investments during 2011. At 12/31/2011, the market value of investments was \$1,153,863 higher than the amortized cost. These unrealized gains will not be recognized in the various funds as management intends to hold these investments to maturity. During 2011, TCIP sold three investments with a total realized gain of \$104,800.

Fair value of the TCIP is reviewed by the County Treasurer, on an ad hoc basis, and quarterly by the County Finance Committee. Fair value is determined using information from our safekeeping agent, Union Bank of California and with "Finser", a 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, 2011 is reported in the following schedule:

**Condensed Statement of Net Assets
December 31, 2011**

	Investment Trust Fund	Private Purpose Trust Fund
Cash, Cash Equivalents, Investments and Pooled Investments	\$ 271,975,715	\$ 1,498,130
Total Assets	271,975,715	1,498,130
Pool Liabilities	(16,023,897)	-
Total Liabilities	(16,023,897)	-
Net Assets Held in Trust for Pool Participants	\$ 255,951,818	\$ 1,498,130

**Condensed Statement of Changes in Net Assets
December 31, 2011**

	Investment Trust Fund	Private Purpose Trust Fund
Changes in Net Assets Resulting from Operations	\$ 2,961,997	\$ 1,986
Earnings Distributions to Participants	(2,961,997)	(1,986)
Changes in Net Assets Resulting from Depositor Transactions	18,733,876	(818,725)
Net Assets Available	18,733,876	(818,725)
Net Assets Beginning of Year	237,217,942	2,316,855
Net Assets End of Year	\$ 255,951,818	\$ 1,498,130

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 tax is recorded as a receivable 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.

The following identifies the tax rates levied in 2010 for collection in 2011:

	Levy In Dollars Per Thousand	Assessed Value	Total Levy
General Fund	\$ 1.1874	\$ 27,144,068,081	\$ 32,232,077
Medic One	\$ 0.3287	\$ 27,144,068,081	\$ 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, 2011 was as follows:

	Beginning Balance 01/01/2011	Increases	Decreases & Adjustments	Ending Balance 12/31/2011
<u>GOVERNMENTAL TYPE ACTIVITIES</u>				
Capital Assets - Non-Depreciable:				
Land	\$ 254,611,535	\$ 3,694,782	\$ (2,832,213)	\$ 255,474,104
Construction in Progress	15,761,872	27,081,507	(2,418,885)	40,424,494
Capital Assets - Non-Depreciable	270,373,407	30,776,289	(5,251,098)	295,898,598
Capital Assets - Depreciable:				
Buildings	116,255,525	2,567,477	(2,275,718)	116,547,284
Improvements Other Than Buildings	6,528,366	-	(274,571)	6,253,795
Machinery & Equipment	46,648,091	2,415,752	(10,059,299)	39,004,544
Infrastructure	126,700,183	13,035,376	(2,503,992)	137,231,567
Original Cost	296,132,165	18,018,605	(15,113,580)	299,037,190
Less Accumulated Depreciation:				
Buildings	(23,271,922)	(3,072,615)	95,849	(26,248,688)
Improvements Other Than Buildings	(2,827,385)	(372,746)	-	(3,200,131)
Machinery & Equipment	(31,431,959)	(3,454,440)	7,049,718	(27,836,681)
Infrastructure	(65,175,356)	(7,435,706)	2,503,986	(70,107,076)
Accumulated Depreciation	(122,706,622)	(14,335,507)	9,649,553	(127,392,576)
Capital Assets - Depr, Net	173,425,543	3,683,098	(5,464,027)	171,644,614
Total Original Cost	566,505,572	48,794,894	(20,364,678)	594,935,788
Total Accumulated Depreciation	(122,706,622)	(14,335,507)	9,649,553	(127,392,576)
Governmental Capital Assets, Net	\$ 443,798,950	\$ 34,459,387	\$ (10,715,125)	\$ 467,543,212

Thurston County, Washington 2011

Depreciation expense was charged to functions as follows:

Depreciation Expense was charged to functions as follows:	
General Government	\$ 415,124
Public Safety	504,493
Utilities and Environment	3,382
Transportation	7,495,020
Economic Environment	1,097
Health and Human Services	26,441
Culture and Recreation	483,056
Subtotal	8,928,613
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.	5,406,894
Total Governmental Activities Depreciation Expense	\$ 14,335,507

Business Type Activities for the year ended December 31, 2011 was as follows:

	Beginning Balance 01/01/2011	Increases	Decreases & Adjustments	Ending Balance 12/31/2011
BUSINESS TYPE ACTIVITIES				
Capital Assets, not being depreciated:				
Land	\$ 1,807,213	\$ 357,702	\$ (352,000)	\$ 1,812,915
Construction In Progress	8,317,110	2,170,756	(6,662,712)	3,825,154
Total Capital Assets, not being depreciated	10,124,323	2,528,458	(7,014,712)	5,638,069
Capital Assets, being depreciated:				
Buildings	22,626,758	2,117,866	(58,460)	24,686,164
Improvements other than buildings	36,489,103	398,031	(11,190,198)	25,696,936
Machinery & Equipment	5,716,504	209,793	(99,627)	5,826,670
Infrastructure	-	9,876,111	-	9,876,111
Total Capital Assets, being depreciated	64,832,365	12,601,801	(11,348,285)	66,085,881
Less Accumulated Depreciation For:				
Buildings	(6,862,699)	(653,027)	58,460	(7,457,266)
Improvements other than buildings	(25,343,493)	(1,062,933)	7,102,062	(19,304,364)
Machinery & Equipment	(3,443,535)	(358,611)	86,259	(3,715,887)
Infrastructure	-	(244,951)	(1,927,589)	(2,172,540)
Total Accumulated Depreciation	(35,649,727)	(2,319,522)	5,319,192	(32,650,057)
Total Capital Assets being depreciated, net	29,182,638	10,282,279	(6,029,093)	33,435,824
Business Type Activities Capital Assets, net	\$ 39,306,961	\$ 12,810,737	\$ (13,043,805)	\$ 39,073,893

Thurston County, Washington 2011

Depreciation expense was charged to functions as follows:

Depreciation expense was charged to functions as follows:	
Solid Waste	\$ 1,045,810
Water	278,525
Sewer	568,048
Stormwater	399,133
Land Use & Permitting	28,006
Total	\$ 2,319,522

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, 2011:

	Spent-to-Date	Remaining Commitment
Project		
Accountability and Restitution Center	\$ 40,790,800	\$ 3,439,389
Tilley Master Plan	17,500,667	3,492,189
3400 Building - Roof Replacement/Seismic Repair	132,044	2,177,956
Total	\$ 58,423,511	\$ 9,109,534

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, 2011 for the County's individual major funds, non-major funds and internal service funds are shown in the following table:

Thurston County, Washington 2011

	Taxes	Special Assess-ment	Interest and Penalties	Customer Accounts	Due from other Governments	Community Loans	Total
<u>Governmental Activities:</u>							
General Fund	\$ 1,604,288	\$ -	\$ 3,826,031	\$ 2,784,789	\$ 2,399,489	\$ -	\$ 10,614,597
Debt Holding	-	-	24,673	-	844,087	-	868,760
Detention Facility Sales Tax Holding	-	-	21,765	-	-	-	21,765
Real Estate Excise Tax	-	-	24,307	-	-	-	24,307
Roads	789,757	-	4,654	14,398	950,090	-	1,758,899
Medic One	416,725	-	34,645	-	-	-	451,370
Public Health and Social Services	32,242	13,189	25,345	25,358	2,091,915	-	2,188,049
Other Governmental	66,953	62,304	88,603	579,957	595,591	-	1,393,408
Internal Service	-	-	38,323	222,493	8,288	-	269,104
Total Governmental Activities	\$ 2,909,965	\$ 75,493	\$ 4,088,346	\$ 3,626,995	\$ 6,889,460	\$ -	\$ 17,590,259
<u>Business-Type Activities:</u>							
Solid Waste	\$ -	\$ -	\$ -	\$ 1,833,847	\$ 311,597	\$ -	\$ 2,145,444
Grand Mound	-	1,867,063	138,580	174,521	6,048	-	2,186,212
Other Enterprise Funds	-	866,213	8,720	91,730	338,327	292,401	1,597,391
Total Business-Type Activities	\$ -	\$ 2,733,276	\$ 147,300	\$ 2,100,098	\$ 655,972	\$ 292,401	\$ 5,929,047

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:

Deferred/Unearned Revenue	
Delinquent property taxes receivable (General Fund)	1,604,288
Delinquent property taxes receivable (Roads Fund)	789,757
Delinquent property taxes receivable (Medic One)	416,725
Delinquent property taxes receivable (Public Health & Social Services)	32,242
Delinquent property taxes receivable (Other Governmental Funds)	66,953
Delinquent special assessment receivable (Public Health & Social Services)	13,189
Delinquent special assessment receivable (Other Governmental Funds)	62,304
Delinquent accrued interest and penalties receivable (General Fund)	3,679,022
Delinquent accrued interest and penalties receivable (Other Governmental Funds)	142,454
Deferred Revenue-Other (Roads Fund)	989,739
Deferred Revenue-Other (Medic One Fund)	-
Total deferred/unearned revenue for governmental funds	\$ 7,796,673

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.

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 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, 2011 was \$0.

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, 2011 was \$8,150,000.

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, 2011 was \$18,635,000 of which \$6,015,000 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, 2011 was \$4,345,000.

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, 2011 was \$41,130,000.

2010 Limited General Obligation Bonds of \$29,665,000 were issued in 2010. The bonds were 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, 2011 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 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, 2011 was \$18,025,000.

\$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, 2011 was \$2,040,000. A sinking fund was created in 2011 for future principal payments for the QECB bonds. The balance of the sinking fund at December 31, 2011 was \$100,016.74.

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
2012	\$ 4,740,000	\$ 3,997,451	\$ 800,000	\$ 324,500
2013	5,005,000	3,838,341	920,000	284,800
2014	5,265,000	3,665,831	910,000	239,100
2015	5,505,000	3,479,719	915,000	193,900
2016	5,810,000	3,281,931	880,000	175,600
2017 - 2021	23,495,000	13,893,101	3,415,000	317,750
2022 - 2026	22,565,000	8,699,200	-	-
2027 - 2030	20,875,000	2,892,798	-	-
Total	\$ 93,260,000	\$ 43,748,372	\$ 7,840,000	\$ 1,535,650

2. Loans and Contracts Payable

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, 2011 is \$66,940. 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, 2011 is \$39,744. 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, 2011 is \$92,794. 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, 2011 is \$12,217. 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, 2011 is \$71,549. 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, 2011 was \$152,258. The seventh loan is not to exceed \$250,000 with an interest rate of 2.6%. Repayment will begin in 2012. The term of the loan is for twenty years and the balance at December 31, 2011 was \$254,695. This includes interest of \$5,647 from previous disbursements.

Public Works 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, 2011 was \$77,476.

Public Works entered into a loan agreement with the State of Washington Department of Ecology to construct a sanitary sewer system for Woodland Creek in 2011. The term of the loan is for 20 years and the loan is not to exceed \$1,227,780 with an interest amount of 2.8%. Payments will begin in 2014 upon completion of the project. As of December 31, 2011 the county drew down \$634,931 on this loan.

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, 2011 was \$739,388. The interest rate of the loan is 0% with a 20-year repayment term. At December 31, 2011, the amount of delinquent principal was \$3,361.

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, 2011 of \$13,680.

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ -	\$ -	\$ 131,629	\$ 17,623
2013	-	-	141,009	16,183
2014	64,398	16,718	142,641	14,338
2015	48,691	32,425	144,338	12,427
2016	50,072	31,044	127,199	10,679
2017 - 2021	272,488	133,094	572,157	37,244
2022 - 2026	199,282	64,205	164,970	18,400
2027 - 2031	-	-	96,798	5,125
Total	\$ 634,931	\$ 277,486	\$ 1,520,741	\$ 132,019

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, 2011 were \$1,129,126. The future minimum lease payments for these leases are:

Year Ending December 31	Amount
2012	\$ 1,120,044
2013	467,733
2014	225,099
2015	73,945
Total	\$ 1,886,821

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	\$ 584,297	\$ 150,265
Less: accumulated depreciation	(281,906)	(47,619)
Present Value of Minimum Lease Payments	302,391	102,646
Plus amount representing interest	57,728	18,311
Total Invested in Capital Leases	\$ 360,119	\$ 120,957

The future minimum lease obligations and net present value of minimum lease payments for assets acquired through capital leases as of December 31, 2011 were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2012	\$ 154,852	\$ 37,031
2013	107,551	32,046
2014	57,911	21,468
2015	31,133	21,468
2016	8,672	8,944
Total Minimum Lease Payments	\$ 360,119	\$ 120,957
Less: Interest	(57,728)	(18,311)
Present Value of Minimum Lease Payments	\$ 302,391	\$ 102,646

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, 2011:

Asset	Governmental Activities	Business-Type Activities
Land	\$ 752,493	\$ 13,001
Buildings	6,410,713	19,157
Less: Accumulated Depreciation	(1,572,338)	(7,491)
Total Invested in Long Term Leases	\$ 5,590,868	\$ 24,667

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The county received \$133,101 of operating lease revenues from these contracts in 2011. Amounts that will be received in future years under these lease agreements are noted below:

Year Ending December 31	Amount
2012	\$ 102,155
2013	89,184
2014	91,413
2015	38,481
2016	2
2017 - 2031	30
Total Lease Receivable	\$ 321,265

The \$32 receivable from 2016 through 2031 is for a park and ride lease with Intercity Transit which is located at the Waste and Recovery Center.

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 10.5-24.75 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 16.50-30.75 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 \$6,982,903 at December 31, 2011 for that portion of unpaid accumulated vacation and personal leave payable in the Statement of Net Assets. This liability includes \$5,680,482 for governmental funds, \$691,595 for internal service funds and \$610,826 for enterprise funds. \$291,072 of this liability is expected to be incurred in 2012. 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 \$1,650,526 was recognized for LEOFF 1 benefits in the statement of net assets in 2011. A long term liability of \$12,110,457 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, \$11,052,556 was recognized in the statement of net assets for governmental and internal service funds and \$1,057,901 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.

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, 2011					
	Beginning Balance	New Issues And Adjustments	Retirements And Adjustments	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
General obligation bonds	\$ 97,660,002	\$ -	\$ 4,400,002	\$ 93,260,000	\$ 4,740,000
Deferred amounts:					
On refunding	(863,987)	-	(98,493)	(765,494)	(60,430)
For issuance premiums	1,671,167	-	193,860	1,477,307	106,525
Total bonds payable	98,467,182	-	4,495,369	93,971,813	4,786,095
Notes/loans payable	-	634,931	-	634,931	-
Capital leases payable	336,355	126,097	160,061	302,391	125,589
Claims and judgments payable	4,025,796	449,963	311,825	4,163,934	568,208
Compensated absences	6,183,505	512,376	323,804	6,372,077	265,612
Other post employment benefits (OPEB)	10,325,702	2,446,691	69,311	12,703,082	-
Total governmental activities	\$ 119,338,540	\$ 4,170,058	\$ 5,360,370	\$ 118,148,228	\$ 5,745,504
<u>Business-type activities:</u>					
Bonds payable:					
General obligation bonds	\$ 8,585,000	\$ -	\$ 745,000	\$ 7,840,000	\$ 800,000
Deferred amounts:					
On refunding	(329,789)	-	(36,352)	(293,437)	-
For issuance premiums	367,316	-	40,672	326,644	-
Total bonds payable	8,622,527	-	749,320	7,873,207	800,000
Notes/loans/special assessments payable	1,506,164	146,976	132,399	1,520,741	131,629
Capital leases payable	46,723	86,335	30,412	102,646	29,397
Compensated absences	631,594	12,309	33,077	610,826	25,460
Other post employment benefits (OPEB)	735,988	321,913	-	1,057,901	-
Total business-type activities	\$ 11,542,996	\$ 567,533	\$ 945,208	\$ 11,165,321	\$ 986,486

Internal Service funds predominately serve governmental funds. Accordingly, their long-term liabilities are included in totals for governmental activities. At year end, \$691,595 of internal service fund compensated absences are included in the amounts above. Internal service funds also include \$224,138 of general obligation bonds payable and \$1,004,368 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.

The County liquidates and funds past and future pension and OPEB obligations through employee and employer paid pension and medical benefit obligations. Therefore, only funds with FTEs would fund these types of obligations which would exclude the following reported County Funds: Auditor Election Reserve Detention Facilities Sales Tax Holding, Emergency

Management Council, Real Estate Excise Tax, REET Technology Fund, Trial Court Improvement, Treatment Sales Tax, Stadium/Convention/Art Center, Tax Refunds, Conservation Futures, Debt Service Funds, Capital Project Funds and the Community Loan Program Fund.

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, 2011, the County had \$154,649 available in reserve in governmental debt service funds to service general obligation and assessment 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, 2011, the County had \$3,140,851 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 2011:

Purpose of Indebtedness	Total Capacity	Remaining Capacity
General Government (No vote required)	\$ 385,328,661	\$ 290,902,313
General Government (With 3/5-majority vote)	\$ 642,214,435	\$ 547,788,087

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, 2011**

	01/01/11	Increases	Decreases	12/31/11
Refunded & Defeased Bonds Outstanding	\$ 16,030,000	\$ -	\$ (1,450,000)	\$ 14,580,000

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.

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, 2011 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	\$ -	\$ 15,081	\$ 35,975	-	\$ 101,442	-	\$ -	\$ 578	\$ 153,076
Debt Holding	-	-	-	1,580,809	24,445	-	-	-	1,605,254
Detention Facility	220,901	-	-	-	-	-	-	-	220,901
Real Estate Excise Tax	-	282,083	-	-	-	-	286,752	38,686	607,521
Roads	11,453	-	490	15,772	2,596	3,203	32	319	33,865
Medic One	-	-	-	-	847	-	-	-	847
Public Health	55,394	-	-	-	100	87	-	-	55,581
Non-Major Governmental	721,625	12,240	395,535	-	31,180	-	-	4,940	1,165,520
Internal Service	940	4,048	-	-	6,841	38,138	-	-	49,967
Solid Waste	19,887	25,963	147,984	-	644	952,333	-	12,617	1,159,428
Grand Mound	-	2,815	175	-	-	-	50,767	-	53,757
Non-Major Enterprise	36,500	239,632	43,302	-	124	-	-	13,519	333,077
Total Due to/Due from	\$ 1,066,700	\$ 581,862	\$ 623,461	\$ 1,596,581	\$ 168,219	\$ 993,761	\$ 337,551	\$ 70,659	\$ 5,438,794

B. Interfund Loans and Advances

Interfund loans and advances are fund transfers, usually interest bearing, which 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, 2011:

Thurston County, Washington 2011

1. 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, 2011 was \$168,907.
2. The Solid Waste Fund advanced \$182,082 to the Central Services Department Fund in 2011. There is a five year repayment period starting in 2011. The advance bears an interest rate of 2.457% with monthly payments of \$3,228.03 including interest throughout the repayment period. The final payment of \$3,221 will be made in 2016. The remaining balance at December 31, 2011 was \$114,912.

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, 2011 are summarized below:

Transfer In											
Transfer Out	General	Real Estate		Medic	Public	Non-Major	Internal	Solid	Grand	Non-Major	
	Fund	Excise Tax	Roads	One	Health	Govt	Service	Waste	Mound	Enterprise	Total
General Fund	\$ -		\$ -	\$ -	\$ 1,279,163	\$ 1,359,753	\$ 596,523	\$ -	\$ -	\$ 340,455	\$ 3,575,894
Debt Holding	-		-	-	-	17,396,697	196,265	-	-	-	17,592,962
Detention Facility Hldg	1,435,300		-	-	-	4,428,928	-	-	-	-	5,864,228
Real Estate Excise Tax	-		1,439,958	-	-	1,945,012	-	-	683,779	74,357	4,143,106
Roads	9,442			-	-	807,910	-	-	-	-	817,352
Medic One	-		-		-	-	-	-	-	-	-
Public Health	-		-	-		-	-	-	-	-	-
Non-Major Govt	2,158,163		139,022	-	5,215,049	173,499	5,037	-	-	-	7,690,770
Internal Service	48,664		120,940	-	-	83,570	485,563	187,586	14,805	132,761	1,073,889
Solid Waste	-		-	-	-	-	-		-	50,000	50,000
Ground Mound	-	8,747	-	-	-	-	-	-		-	8,747
Non-Major Enterprise	9,442		29,865	-	-	-	80,295	-	-	664,191	783,793
Total Transfers	\$ 3,661,011	\$ 8,747	\$ 1,729,785	\$ -	\$ 6,494,212	\$ 26,195,369	\$ 1,363,683	\$ 187,586	\$ 698,584	\$ 1,261,764	\$ 41,600,741

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; or it may be downloaded from the DRW website at www.drs.wa.gov. 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

The Legislature established PERS in 1947. 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 higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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.

PERS members 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 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 two 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. This benefit was eliminated by the Legislature, effective July 1, 2011. 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 two 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 was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. 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 two 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 three 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.

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 one 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 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 contributions and 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 one 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 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	51,005
Total	262,285

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. 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, 2011, were as follows:

Members not participating in JBM:

	<i>PERS Plan 1</i>	<i>PERS Plan 2</i>	<i>PERS Plan 3</i>
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

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

** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% 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 4.64% 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>PERS Plan 1</i>	<i>PERS Plan 2</i>	<i>PERS Plan 3</i>
Employer- State Agency*	9.75%	9.75%	9.75%**
Employer- Local Govt.*	7.25%	7.25%	7.25%**
Employee- State Agency	9.76%	9.10%	7.50%***
Employee- Local Govt.	12.26%	11.60%	7.50%***

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

** Plan 3 defined benefit portion only.

*** Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$ 166,987	\$ 2,750,826	\$ 290,328
2010	\$ 179,089	\$ 2,019,168	\$ 229,265
2009	\$ 257,638	\$ 2,593,492	\$ 281,482

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

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. 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. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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.

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.

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 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:

Term of Service	Percent of Final Average Salary
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 two 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 three 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 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to but not yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Non-vested	3,656
Total	27,505

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.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, 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 Thurston 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
2011	\$ 166	\$ 371,198
2010	\$ 294	\$ 314,046
2009	\$ 294	\$ 332,133

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

Plan Description

The Legislature created PSERS in 2004 and the system 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. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

A "covered employer" is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Corrections departments of Washington State counties;

- Corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and
- Interlocal corrections agencies.

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

- Have 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; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

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.

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	7
Terminated Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	4,210
Total	4,217

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, 2011, were as follows:

	<i>PSERS Plan 2</i>
Employer*	8.86%
Employee	6.36%

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

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

	PSERS Plan 2
2011	\$ 558,103
2010	\$ 421,031
2009	\$ 437,727

NOTE XI – RISK MANAGEMENT

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 2011. Chapter 48.62 RCW and 200-100 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-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, 2011 remains at zero, as no contingent liabilities were known to exist at that time.

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 \$311,825 during 2011. 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 on December 31, 2011 as \$4,163,934. This 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 from our claims experience. 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		
	2011	2010
Beginning claims liability	\$ 4,025,796	\$ 4,414,807
Claims incurred during the year (including IBNRs)*	449,963	248,713
Claims payments	(311,825)	(637,724)
Ending claims liability	\$ 4,163,934	\$ 4,025,796

*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 VII.F., 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 2011, 17 retirees received benefits under this act. As of December 31, 2011, there was 1 active officer 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, 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation. The net OPEB obligation of \$1,650,526 is reported as a non-current liability on the Statement of Net Assets.

Thurston County, Washington 2011

	Year Ending 12/31/2009	Year Ending 12/31/2010	Year Ending 12/31/2011
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Determination of Annual Required Contribution:

Normal Cost at Year End	\$ 23,454	\$ 23,239	\$ 14,957
Amortization of UAAL*	553,368	529,791	514,336
Annual Required Contribution	\$ 576,822	\$ 553,030	\$ 529,293

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 576,822	\$ 553,030	\$ 529,292
Interest on Prior Year Net OPEB Obligation	5,058	50,253	63,712
Adjustment to ARC	(72,542)	(103,983)	(131,833)
Annual OPEB Cost	539,388	499,300	461,172
Contributions Made	(201,671)	(200,206)	(226,472)
Increase in Net OPEB Obligation	\$ 337,717	\$ 299,094	\$ 234,700

Net OPEB Obligation - End Of Year:

Net OPEB Obligation - Beginning of Year	\$ 779,067	\$ 1,116,734	\$ 1,415,828
Increase in Net OPEB Obligation	337,667	299,094	234,698
Net OPEB Obligation-end of year (NOO)	\$ 1,116,734	\$ 1,415,828	\$ 1,650,526

*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 2011 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
12/31/2009	\$ 539,338	\$ 301,671	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%
12/31/2011	\$ 461,172	\$ 226,472	49.1%	\$ 1,650,526	\$ 159,474	3463.72%

4. Funded Status and Funding Progress

As of December 31, 2011 the plan was 0% funded. The Actuarial Accrued Liability (AAL) for benefits was \$5,523,732 and the actuarial value of the assets was \$0 resulting in a UAAL of \$5,523,732.

The cost of retiree health care benefits is recognized in the General Fund as claims are paid. For 2011, these costs total \$52,940 with a cost per retiree of \$2,941. 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, 2009 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 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. 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. The discount rate used in the assumption was 4.50 percent and the inflation rate used was 3.50 percent. 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, 2011 was 26 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 – no longer provided beginning January 1, 2012
- 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 PEBB after becoming eligible for retirement under the Public Employees' Retirement System (PERS) 1, 2, or 3 or under Public Safety Employees' Retirement System (PSERS) 2. The eligibility for each plan is as follows:

- PERS 1
 - Age 60 with five years of service
 - Age 55 with twenty-five years of service
 - Any age with thirty years of service
- PERS 2
 - Age 55 with twenty years of service
 - Age 65 with five years of service
- PERS 3
 - Age 55 with ten years of service
 - Age 65 with five years of service
 - In addition, PERS 3 members who terminate and are at least age 55 with twenty or more years of service gain pre-retirement access to PEBB
- PSERS 2
 - Age 65 with five years of service
 - Age 60 with at least ten years of PSERS service
 - Age 50 with twenty 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 Benefits

Upon retirement, members are permitted to receive medical benefits. The table below displays non-Medicare (pre-65) monthly premiums available for the 2011 calendar year:

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

Explicit Medicare subsidies are capped at \$150 per month for 2012.

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 26 years as of December 31, 2011. 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 obligation.

	Year Ending 12/31/2009	Year Ending 12/31/2010	Year Ending 12/31/2011
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Determination of Annual Required Contribution:

Normal Cost at Year End	\$ 1,833,764	\$ 1,833,764	\$ 1,665,505
Amortization of UAAL*	1,188,521	1,188,521	1,048,032
Annual Required Contribution	\$ 3,022,285	\$ 3,022,285	\$ 2,713,537

Determination of Net OPEB Obligation:

Annual Required Contribution	\$ 3,022,285	\$ 3,022,285	\$ 2,713,537
Interest on Prior Year Net OPEB Obligation	188,254	310,836	434,064
Adjustment to ARC	(159,282)	(272,098)	(379,250)
Annual OPEB Cost	3,051,257	3,061,023	2,768,351
Contributions Made	(327,205)	(322,635)	(303,757)
Increase in Net OPEB Obligation	\$ 2,724,052	\$ 2,738,388	\$ 2,464,594

Net OPEB Obligation - End Of Year:

Net OPEB Obligation - Beginning of Year	\$ 4,183,422	\$ 6,907,474	\$ 9,645,862
Increase in Net OPEB Obligation	2,724,052	2,738,388	2,464,594
Net OPEB Obligation-end of year	\$ 6,907,474	\$ 9,645,862	\$ 12,110,456

*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 2011 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
12/31/2009	\$ 3,051,257	\$ 327,205	10.72%	\$ 6,907,474	\$ 78,114,300	39.96%
12/31/2010	\$ 3,061,023	\$ 322,635	10.54%	\$ 9,645,863	\$ 76,838,632	40.62%
12/31/2011	\$ 2,768,351	\$ 303,757	10.97%	\$ 12,110,456	\$ 66,592,253	40.03%

6. Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$26.7 million, and the actuarial value of assets was \$0, resulting in a UAAL of \$26.7 million. Note that this represents a 14.4% decrease from the amount reported during 2010 because, starting in January 2011, two departments left the county and started operations as non-profits.

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.

All demographic assumptions, healthcare assumptions, and methods used match those disclosed in the 2011 OPEB Report published by the Washington State Office of the State Actuary. Specifically, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 4.50 percent 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 cost inflation trends start at approximately 7 percent in 2011 and gradually decrease to 5 percent in 2083 and beyond. The inflation rate used in the assumption was 3.50 percent. The data used for this valuation was identified by department number from the data disclosed in the 2011 OPEB Report. Please see <http://osa.leg.wa.gov/index/index.htm> for more detail.

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, 2011 was 26 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 \$528,752 as its share of operations in 2011 which 54.09% of the total contributions from participating agencies. The County's equity interest at December 31, 2011 is therefore

Thurston County, Washington 2011

\$2,006,193. 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 2011 totaled \$3,708,987. 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.

Animal Control	
Total Assets	\$ 3,957,212
Liabilities	(248,226)
Net Assets	\$ 3,708,987
Total Revenues	\$ 1,852,238
Total Expenses	1,576,779
Net Income	\$ 275,460
Beginning Net Assets 1/1/11	\$ 3,433,527
Net Income (Loss)	275,460
Ending Net Assets - 12/31/11	\$ 3,708,987

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 2011. 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 \$62,555 as its share of operations in 2011. The assessment was based on population and violation fees collected. Thurston County did not have an equity interest in ORCAA in 2011. 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 \$207,071 as its share of operations in 2011 for intergovernmental professional services. The assessment was based on population and contractual commitments. Thurston County did not have an equity interest in TRPC in 2011. 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 \$18,318,884 on December 31, 2011.

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, 2011, cash and pooled investments of \$17,818,888 are held for these purposes. An additional \$329,256 is contractually restricted for equipment replacement resulting in \$18,148,144 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 county reported prior period adjustments of \$7,651,468 and (\$169,625) in Governmental Activities and Business-type Activities respectively. A detail discussion of each of these prior period adjustments is as follows:

Governmental Activities

- During the year it was noted that certain contributed capital related infrastructure, originating from private sources, was not being recognized in the general ledger financial system. Since it was determined that this was a multi-year issue, the value of the

infrastructure through 2010 was determined and entered as a prior period adjustment. Further, the department also determined that it has not removed other infrastructure assets (roads, sidewalks, etc) from the general ledger system resulting from instances of annexations by the City of Lacey, Olympia, and Tumwater. This infrastructure amount partially offset the contributed capital additions and amounted to a net prior period adjustment addition of \$7,393,631 to the Government-Wide Statement of Activities.

- During the year it was determined that the county did not include all of its Unamortized Deferred Issue Costs as an asset in the Government-Wide Statement of Net Assets. Therefore, this year, \$1,371,805 was included as an asset and a prior period adjustment on the Statement of Activities.
- Correction for capital asset retirements resulted in a \$207,486 prior period adjustment reduction in the Statement of Activities.
- The Roads major Special Revenue fund made a \$906,482 prior period adjustment reduction to correct reported mitigation fees from developers at year-end 2011. This was reported in both the fund statements and the Statement of Activities.

Business-type Activities

- The Grand Mound major Enterprise fund made a \$276,549 prior period adjustment increase to recognize sewer infrastructure contributed capital added in 2010 from private developers.
- The Storm & Surface Water non-major Enterprise fund made a (\$487,389) prior period reduction due to adjustments to a construction-in-progress account and other capital asset retirements.
- The Community Loan Program non-major Enterprise fund made a \$41,215 prior period adjustment increase. This fund receives public works trust fund loans from the State of Washington for the purpose of repairing septic systems for low income members of the community. Loan amounts that are made to the recipients of the services are based on costs incurred by the county to repair the systems. Each year the county reclassifies these expenses as receivables in its general ledger system. This prior period adjustment was recorded for the 2010 reclassification.

B. Accounting and Reporting Changes

At December 31, 2011, the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Issued February 2009, the objective of this statement is to improve the usefulness and understandability of governmental fund balance information. It provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The Governmental Fund, fund balance section is now divided into Nonspendable, Restricted, Committed, Assigned and Unassigned categories. Old categories of Reserved, Unreserved, and Designated were removed. This standard also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users better understand the purposes for which governments have chosen to use particular funds for financial reporting. As a result of implementing this section of the statement, the county combined the following special revenue funds with the General Fund:

- LEOFF I Long Term Care
- Fair
- Geo Data
- Prisoner Concession
- Recreation Services
- REET Technology

As a result, the Fund balance as of January 1 has been restated for both the General Fund and the Other Governmental Funds on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The amount of the restatement is an increase (General Fund) and decrease (Other Governmental Funds) of \$853,545.

B. Fund Changes

The following fund was abolished in the prior year and is not reported in the County's 2011 financial statements:

- 1998 G. O. Bonds Debt Service Fund

The following funds were abolished and closed out in the 2011 financial statements:

- Communications Special Revenue Fund
- RSN IIRMA-Thurston Special Revenue Fund
- Workforce Development Special Revenue Fund
- Enterprise Administration Internal Service Fund
- Enterprise Engineering Internal Service Fund

The following reported funds were created and established in 2011:

- Family Court Services – Superior Court Special Revenue Fund
- G.O. Bonds - 2010 Debt Service Fund
- 2010C Debt Sinking Debt Service Fund

The following Special Revenue funds were consolidated into the General Fund due to the new definition of a Special Revenue fund per GASB 54:

- LEOFF I Long Term Care
- Fair
- Geo Data
- Prisoner Concession
- Recreation Services
- REET Technology

The following fund was converted from a special revenue fund to a debt service fund in 2011:

- Road Improvement District #2

Thurston County, Washington 2011

The following funds were converted from special revenue funds to capital project funds in 2011:

- Debt Holding
- Real Estate Excise Tax
- Detention Facility Sales Tax Holding

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.

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
12/31/2009	\$ -	\$ 5,942,924	\$ 5,942,924	0%	\$ 233,651	2543.50%
12/31/2010	\$ -	\$ 5,689,718	\$ 5,689,718	0%	\$ 235,757	2413.38%
12/31/2011	\$ -	\$ 5,523,732	\$ 5,523,732	0%	\$ 159,474	3463.72%

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
12/31/2009	\$ -	\$ 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%
12/31/2011	\$ -	\$ 26,655,663	\$26,655,663	0%	\$66,592,253	40.03%

THURSTON COUNTY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

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/Pass-Through from WA Office of Superintendent of Public Instruction	School Breakfast Program	10.553	34-111-9757				3
				\$ 20,935		\$ 20,935	
Department of Agriculture/Pass-Through from WA Office of Superintendent of Public Instruction	ARRA-National School Lunch Program	10.555	N/A	\$ 2,959			3, 4
			34-111-9757	\$ 29,296			7
			Subtotal	\$ 32,255		\$ 32,255	
Department of Agriculture/Pass-Through from WA Department of Natural Resources	Cooperative Forestry Assistance	10.664	IAA-10-347/K244-08-DG-014				
				\$ 10,000		\$ 10,000	
Department of Agriculture/Pass-Through from Wa State Treasurer	Schools and Roads - Grants to States	10.665	N/A				4
				\$ 1,501		\$ 1,501	
Department of Defense/Pass-Through from Wa State Treasurer	Military Forest Yield	12.999	N/A				4,6
				\$ 30,177		\$ 30,177	
Department of Housing and Urban Development/Pass-Through from WA Department of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	10-641000-009 09-64009-033 10-64009-032	\$ 111,932 \$ 610 \$ 469			
			Subtotal	\$ 113,011		\$ 113,011	
Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	M05-DC-53-0207 M08-DC-53-0207 M09-DC-53-0207 M10-DC-53-0207 M11-DC-53-0207		\$ 32,814 \$ 486,355 \$ 280,523 \$ 645,054 \$ 348,391		8 8 8 8 8
			Subtotal		\$ 1,793,137	\$ 1,793,137	
Department of Housing and Urban Development/Pass-Through from WA Department of Commerce	ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	10-46111-625				
				\$ 185,600		\$ 185,600	
Department of the Interior	Fish and Wildlife Management Assistance	15.608	13320BJ042 13320-8-J032		\$ 3,035 \$ 8,232		
			Subtotal		\$ 11,267	\$ 11,267	
Department of the Interior	Endangered Species Conservation-Recovery Implementation Funds	15.657	13410AJ009				5
					\$ 92,860	\$ 92,860	
Office of National Drug Control Policy/Pass-Through from Educational Service District 105	High Intensity Drug Trafficking Area	16.000	9009000070 & 9000000058	\$ 25,531			6
Office of the National Drug Control Policy/Pass-Through from WA State Patrol	Marijuana Eradication 2011		C110869FED	\$ 13,427			
			Subtotal	\$ 38,958		\$ 38,958	
Department of Justice	Violence Against Women Act Court Training and Improvement Grants	16.013	2011-WC-AX-K022				
					\$ 3,952	\$ 3,952	
Department of Justice/Pass-Through from WA DSHS	Juvenile Accountability Block Grants	16.523	N/A				4
				\$ 29,552		\$ 29,552	

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, 2011

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 Justice/ Pass-Through WA Department of Commerce	Crime Victim Assistance	16.575	S11-31119-037	\$ 121,164			
			S12-31119-037	\$ 101,514			
			Subtotal	\$ 222,678		\$ 222,678	
Department of Justice	Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0019		\$ 71,277	\$ 71,277	
Department of Justice/Pass-Through from WA Department of Justice Department of Justice/Pass-Through from WA Department of Commerce	ARRA-Violence Against Women Formula Grants	16.588	F10-31103-027	\$ 13,331			7
			F10-31103-026	\$ 19,141			
			Subtotal	\$ 32,472		\$ 32,472	
Department of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2010-WE-AX-0011		\$ 214,774	\$ 214,774	
Department of Justice/Pass-Through from WA DSHS	Residential Substance Abuse Treatment for State Prisoners	16.593	1063-10833	\$ 52,498		\$ 52,498	
Department of Justice	State Criminal Alien Assistance Program	16.606	2011 SCAAP		\$ 57,237	\$ 57,237	
Department of Justice	Bulletproof Vest Partnership Program	16.607	N/A		\$ 10,674	\$ 10,674	4
Department of Justice/Pass-Through from WA Association of Sheriffs and Police Chiefs	ARRA-Public Safety Partnership and Community Policing Grants	16.710	WSM10904	\$ 14,093			7
			WSMI 10104	\$ 7,306			
			Subtotal	\$ 21,399		\$ 21,399	
Department of Justice Department of Justice/Pass-Through from WA Department of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0153		\$ 44,872		
			2010-DJ-BX-0645		\$ 44,076		
			2011-DJ-BX-2561		\$ 7,369		
Department of Justice/Pass-Through from WA State Patrol	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	M10-34021-010	\$ 69,429			
			Subtotal	\$ 69,429	\$ 96,317	\$ 165,746	
				\$ 26,500			
Department of Justice	ARRA-Edward Byrne Memorial Justice Assistance Grants to States and Territories	16.803	C110527FED	\$ 8,311			7
			F09-34024-003	\$ 34,811		\$ 34,811	
			Subtotal	\$ 34,811		\$ 34,811	
Department of Transportation/Pass-Through from WA DOT	ARRA-Highway Planning and Construction Highway Planning and Construction	20.205	ARRA-A341(004)	\$ 74,437			7
			STPUS-5252(009)	\$ 1,319,620			
			STRPG-303(007)	\$ 1,761,000			
			STPH-F343(003)	\$ 686,556			
			STPH-5292(002)	\$ 371,127			
			STPE-2034(063)	\$ 51,370			
			HPP-2034(065)	\$ 177,105			
			HSIP-000S(235)	\$ 138,339			
			HRRR-000S(239)	\$ 294,460			
			HSIP-000S(265)	\$ 9,413			
			Subtotal	\$ 4,883,427		\$ 4,883,427	

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, 2011

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 Transportation/Pass-Through from WA Traffic Safety Commission	State and Community Highway Safety	20.600	Speeding	\$ 4,201			
			N/A	\$ 1,452			4
			N/A	\$ 6,919			4
			N/A	\$ 216			4
			N/A	\$ 810			4
			PT 12-05	\$ 832			
			N/A	\$ 2,138			4
			N/A	\$ 38,929			4
Department of Transportation/Pass-Through from WA DOT			Subtotal	\$ 55,497		\$ 55,497	
Department of Transportation/Pass-Through from WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Impaired Driving				
				\$ 4,942		\$ 4,942	
Department of Transportation/Pass-Through from WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	Seat Belts				
				\$ 812		\$ 812	
Environmental Protection Agency	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	IAQ.01-09		\$ 13,535	\$ 13,535	
Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-00J12401				5
					\$ 111,069	\$ 111,069	
Environmental Protection Agency/Pass-Through from Puget Sound Partnership	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	2012-29	\$ 5,992		\$ 5,992	
Environmental Protection Agency	Targeted Watersheds Grants	66.439	WS-96073601		\$ 144,820	\$ 144,820	5
Environmental Protection Agency/Pass-Through from WA DOH	Beach Monitoring and Notification Program Implementation Grants	66.472	C14967	\$ 30,873		\$ 30,873	
Environmental Protection Agency	Protection of Children from Environmental Health Risks	66.609	CH 83511901		\$ 2,820	\$ 2,820	
Department of Energy	ARRA-Energy Efficiency and Conservation Block Grant Program	81.128	DE-SC0002025		\$ 407,376	\$ 407,376	5, 7
Department of Education/Pass-Through from WA Office of Superintendent of Public Instruction	Twenty-First Century Community Learning Centers	84.287	993559	\$ 12,074			
			993529	\$ 45,371			
			Subtotal	\$ 57,445		\$ 57,445	
U.S. Election Assistance Commission/Pass-Through from WA Office of the Secretary of State	Help America Vote Act Requirements Payments	90.401	G-2858	\$ 4,525			
			Amendment 2				
			G-2858	\$ 4,022			
			Amendment 5				
			Subtotal	\$ 8,547		\$ 8,547	

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, 2011

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 Health and Human Services/Pass-Through from WA DOH	Public Health Emergency Preparedness	93.069	C14967	\$ 214,870		\$ 214,870	
Department of Health and Human Services/Pass-Through WA DOH	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	C14967	\$ 1,600		\$ 1,600	
Department of Health and Human Services/Pass-Through from WA DSHS	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1069-11415/1169-34916	\$ 55,921		\$ 55,921	8
Department of Health and Human Services	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	5H79T1023097-02		\$ 243,530	\$ 243,530	
Department of Health and Human Services/Pass-Through from WA DOH	Immunization Grants	93.268	C14967	\$ 58,246		\$ 58,246	
Department of Health and Human Services/Pass-Through from NACCHO	Centers of Disease Control and prevention- Investigations and Technical Assistance	93.283	2010-091608	\$ 26,250		\$ 26,250	
Department of Health and Human Services	National Community Centers of Excellence in Women's Health	93.290	CCEWH101010-01-00		\$ 75,889		8
			CCEWH111027-01-00		\$ 64,217		8
			Subtotal		\$ 140,106	\$ 140,106	
Department of Health and Human Services/Pass-Through from WA DSHS	Child Support Enforcement	93.563	2110-80383	\$ 861,021			
			0763-11360	\$ 76,316			
			Subtotal	\$ 937,337		\$ 937,337	
Department of Health and Human Services/Pass-Through from WA Office of the Secretary of State	Voting Access for Individuals with Disabilities-Grants to States	93.617	G-4279 EAID	\$ 5,000			
			G-12/020	\$ 600			
				\$ 5,600		\$ 5,600	
Department of Health and Human Services/Pass-Through from WA DOH	ARRA-Immunization	93.712	C14967	\$ 6,702		\$ 6,702	7
Department of Health and Human Services/Pass-Through from WA DOH	ARRA-Prevention and Wellness State, Territories and Pacific Islands	93.723	C14967	\$ 24,052		\$ 24,052	7
Department of Health and Human Services/Pass-Through from WA DSHS	Medical Assistance Program	93.778	0563-75757	\$ 225,000		\$ 225,000	
Department of Health and Human Services/Pass-Through from WA DOH	National Bioterrorism Hospital Preparedness Program	93.889	C14967	\$ 7,457		\$ 7,457	
Department of Health and Human Services/Pass-Through WA DOH	HIV Prevention Activities-Health Department Based	93.940	C14967	\$ 4,503		\$ 4,503	

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, 2011

				Expenditures			
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/Pass-Through from WA DSHS	Block Grants for Community Mental Health Services	93.958	1069-12026/1169-35520	\$ 308,458		\$ 308,458	8
Department of Health and Human Services/Pass-Through from WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	0963-68068, 1163-27329	\$ 768,080		\$ 768,080	8
Department of Health and Human Services/Pass-Through from WA DOH	Maternal and Child Health Services Block Grant to the States	93.994	C14967	\$ 169,074		\$ 169,074	
Executive Office of the President/Pass-Through from WA State Patrol	High Intensity Drug Trafficking Areas Program	95.001	C110573FED	\$ 15,000		\$ 15,000	
Department of Homeland Security/Pass-Through from WA Parks & Recreation Commission	Boating Safety Financial Assistance	97.012	LE-911-237	\$ 16,853			
			Boating Safety Program	\$ 38,302			
			Subtotal	\$ 55,155	\$ 55,155		
Department of Homeland Security	Emergency Management Institute Training Assistance	97.026	N/A		\$ 10,414	\$ 10,414	4
Department of Homeland Security/Pass-Through from WA Military Department	Hazard Mitigation Grant	97.039	E11-080 (Thurston 019ES-10-047)	\$ 372,886		\$ 372,886	
Department of Homeland Security/Pass-Through from WA Military Department	Emergency Management Performance Grants	97.042	E10-294 (Thurston 019ES-10-038)	\$ 30,159			
			E12-114 (Thurston 29A-11-059)	\$ 161,117			
			Subtotal	\$ 191,276	\$ 191,276		
Department of Homeland Security/Pass-Through from WA Military Department	Emergency Operations Center	97.052	E10-311 (Thurston 019ES-10-046)	\$ 1,000,000		\$ 1,000,000	
Department of Homeland Security/Pass-Through from WA Military Department	Homeland Security Grant Program	97.067	E11-247 (Thurston 92A-2011-022)	\$ 124,974			8
			E10-248 (Thurston 019ES-10-013)	\$ 350,938			8
			K693 (Thurston 019ES-10-014)	\$ 20,077			8
			K857 (Thurston 29A-2011-023)	\$ 2,336			
			Subtotal	\$ 498,325	\$ 498,325		
Department of Homeland Security/Pass-Through from City of Seattle Police Department	Regional Catastrophic Preparedness Grant Program	97.111	2010-29 (Thurston 019ES-10-015)	\$ 258,089			
			2011-43 (Thurston 29A-11-061)	\$ 52,977			
			Subtotal	\$ 311,066	\$ 311,066		
Total Federal Awards Expended				\$ 11,199,669	\$ 3,430,168	\$ 14,629,837	

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, 2011

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

NOTE 8 – AMOUNTS AWARDED TO SUBRECIPIENTS

The total amount of current year expenditures include amounts passed through to a subrecipient.



ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work 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 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 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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